United Nations S/2012/544

Security Council

Distr.: General
13 July 2012

Original: English

Letter dated 11 July 2012 from the Chair of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea addressed to the President of the Security Council

On behalf of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea, and in accordance with paragraph 6 (m) of Security Council resolution 2002 (2011), I have the honour to transmit herewith the report on Somalia of the Monitoring Group on Somalia and Eritrea (see annex).

In this connection, the Committee would appreciate it if the present letter, together with its enclosure were brought to the attention of the members of the Security Council and issued as a document of the Council.

(*Signed*) H. S. **Puri**
Chairman
Security Council Committee pursuant to
resolutions 751 (1992) and 1907 (2009)
concerning Somalia and Eritrea

12-37640 (E) 180712

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Letter dated 27 June 2012 from the members of the Monitoring Group on Somalia and Eritrea addressed to the Chair of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea

We have the honour to transmit herewith the report focusing on Somalia of the Monitoring Group on Somalia and Eritrea, in accordance with paragraph 6 (m) of Security Council resolution 2002 (2011).

(*Signed*) Matt **Bryden**
Coordinator
Monitoring Group on Somalia and Eritrea

(*Signed*) Emmanuel **Deisser**
Arms Expert

(*Signed*) Aurélien **Llorca**
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(*Signed*) Jörg **Roofthooft**
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Armed Groups Expert

(*Signed*) Kristele **Younes**
Humanitarian Expert

Report of the Monitoring Group on Somalia and Eritrea pursuant to Security Council resolution 2002 (2011)

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* The annexes are being circulated in the language of submission only.
** The annex has not been reproduced in the present document because it is strictly confidential.
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Abbreviations

AIAI	Al-Itihaad Al-Islam
AMISOM	African Union Mission in Somalia
ARS	Alliance for the Re-Liberation of Somalia
ASWJ	Ahlu Sunna wal Jama'a
COTAM	Commandement du transport aerién militaire
FNDB	Force de Défense Nationale du Burundi
GCC	Gulf Cooperation Council
HHPN	Hobyo-Harardheere Piracy Network
ICAO	International Civil Aviation Organization
ICRC	International Committee of the Red Cross
IMB	International Maritime Bureau
IMO	International Maritime Organization
NGO	Non-governmental organization
NSUM	Northern Somali Unionist Movement
OLF	Oromo Liberation Front
ONLF	Ogaden National Liberation Front
PMSC	Private maritime security company
PPN	Puntland Piracy Network
PSC	Private security company
RPG	Rocket-propelled grenade
SIPRI	Stockholm International Peace Research Institute
SSCA	Sool Sanaag Cayn Army
UIC	Union of Islamic Courts
UNDP	United Nations Development Programme
UNPOS	United Nations Political Office for Somalia
UNSOA	United Nations Support Office for AMISOM
UPDF	Uganda People's Defence Forces
WFP	World Food Programme

Summary

The final year of the term of office of the transitional federal institutions is due to expire in August 2012. But the transfer of power to a more effective, legitimate and broad-based national authority is threatened by the efforts of diverse Somali political leaders and their supporters to hijack or derail the transitional process, outcomes that would fuel continued instability and conflict, potentially reviving the fortunes of an embattled Al-Shabaab.

While such "spoiler" behaviour is partly an expression of legitimate political competition, it is also symptomatic of pervasive corruption within the transitional federal institutions. Since the collapse of the Somali Government in 1991, successive generations of Somali leaders have engaged in corrosive political and economic practices that have aggravated the conflict and helped thwart the restoration of peace and security in the country. Under the transitional federal institutions, the systematic misappropriation, embezzlement and outright theft of public resources have essentially become a system of governance, embodied in the popular Somali phrase "Maxaa igu jiraa?" ("What's in it for me?").

A May 2012 report commissioned by the World Bank found US$ 131 million in Transitional Federal Government revenue unaccounted for in the 2009-2010 period: 68 per cent of total recorded income for that period. The Monitoring Group's own investigations suggest that the real scale of corruption is probably even higher, since millions or dollars of revenue go unrecorded. In other words, out of every US$ 10 received by the Transitional Federal Government in 2009 and 2010, US$ 7 never made it into State coffers. In 2011, almost one quarter of total Transitional Federal Government expenditure (over US$ 12 million) was absorbed by the offices of the three top leaders: the President, the Prime Minister and the Speaker of Parliament. This represented roughly half of the Transitional Federal Government's domestic income and almost as much as the Government spends on security in a time of conflict.

Transitional Federal Government leaders find other ways to profit from their official positions as well. The Monitoring Group has learned that production and issuance of national passports has been quietly awarded to Transitional Federal Government cronies, resulting in extensive corruption and fraud since 2007. In the 2010-2011 period alone, almost US$ 1.5 million in passport revenue went missing.

Despite the shortcomings of the transitional federal institutions, Al-Shabaab has suffered dramatic reverses over the past year, experiencing military defeats, the loss of territory and the erosion of its revenue base, setbacks that have exacerbated rifts within the group's senior leadership and may yet push it to the point of rupture. Recent military successes against Al-Shabaab have been delivered mainly by foreign military forces, but international investment in Somali security sector institutions, notably the Somali National Security Force (NSF), is also beginning to produce results on the battlefield. The implementation of a United Nations ban on the importation of Somali charcoal would deliver another grave blow to Al-Shabaab's revenue flow, further undermining its cohesion and ability to engage in armed conflict. But principal importers of Somali charcoal, notably the United Arab Emirates and the Kingdom of Saudi Arabia, have so far failed to fulfil their obligations to enforce the ban imposed by Security Council resolution 2036 (2012).

Al-Shabaab continues to represent a serious threat to peace, security and stability, not only in Somalia but also on the broader international scene. In February 2012, the group announced a merger with Al-Qaida and has been actively strengthening its ties with other foreign extremist groups, including the Muslim Youth Centre in Kenya, the Ansaar Muslim Youth Centre in the United Republic of Tanzania and Al-Qaida in the Arabian Peninsula (Yemen). Monitoring Group investigations reveal that the Muslim Youth Centre in particular seeks to use its sanctuaries in Somalia as springboards for terrorist acts in Kenya, deploying several operational cells to Kenya in recent months for this purpose.

Somali-based piracy threatens not only the peace, the security and the stability of Somalia, but regional and international security as well. Although pirates have been more active than ever in 2011, the adoption of best management practices by the shipping industry, more effective international counter-piracy naval operations and the increasing use of private maritime security companies have substantially lowered the number of vessels successfully hijacked. As a result, pirates have to adapt and diversify, engaging in kidnap for ransom on land, and marketing their services as "counter-piracy" experts and "consultants" in ransom negotiations. This evolution of the piracy business model is being driven largely by members of the Somali diaspora, whose foreign language skills, passports and bank accounts are all valuable assets. But the Monitoring Group has also been able to confirm the collusion of senior Transitional Federal Government officials in shielding a notorious pirate kingpin from prosecution, providing him with a diplomatic passport and describing him as a "counter-piracy" envoy.

The pattern of arms embargo violations in Somalia has changed little over previous years. Arms markets in Yemen remained the principal source of supply of arms and ammunition for Somali non-State armed groups. Contributions by foreign Governments, mainly to the Transitional Federal Government but also to other authorities and militia forces, remained an important secondary source of supply.

The most significant development with respect to the arms embargo has been the large-scale and sustained deployment of foreign military forces on Somali soil. Djiboutian forces, deployed in December 2011, have since been "rehatted" as part of the African Union Mission in Somalia (AMISOM), and Kenyan troops, which entered Somalia in October 2011, finally joined AMISOM in June 2012. The Ethiopian National Defense Force (ENDF), which has mounted operations into much of southern and central Somalia since February 2012, has indicated that it intends to withdraw from those areas after handing over to AMISOM.

Private security companies also remain problematic, with two currently providing support to non-statutory forces in north-eastern Somalia, while Mogadishu is increasingly populated by private "guard forces" and at least one group of well-armed, foreign security forces protecting Turkish operations and personnel. The Monitoring Group remains deeply concerned by the operations of Sterling Corporate Services (formerly Saracen International), in north-east Somalia, and by the failure of certain Member States to take the necessary measures to prevent this sustained, large-scale violation of the Somalia arms embargo.

Meanwhile, the relative importance of Eritrea as a source of military and financial support for armed groups appears to have declined. Enhanced international scrutiny of Eritrea's actions in Somalia and the region, growing friction in Eritrea's relationship with Al-Shabaab and the absence of other viable armed opposition

groups all appear to have contributed to this trend. The Monitoring Group has found no evidence to substantiate allegations that Eritrea supplied Al-Shabaab with arms and ammunition by air in October and November 2011. However, the Monitoring Group has established that Eritrea maintains relations with known arms dealers in Somalia and violated the arms embargo during the course of the mandate through its support for Ethiopian armed opposition groups passing through Somali territory.

From a humanitarian perspective, Somalia experienced its worst crisis since the 1992-1993 period, as drought and armed conflict conspired to create famine conditions in parts of the country. International efforts to assist distressed populations were hamstrung by a variety of obstacles: Al-Shabaab denied access to many United Nations agencies and Western aid organizations, and imposed draconian conditions on those it permitted to operate, while attempting to prevent civilians from migrating to areas where assistance would be available.

In Transitional Federal Government-controlled areas, where an estimated 250,000 internally displaced persons (IDPs) sought help, Government officials and local militias often acted as "gatekeepers", controlling physical access to IDP settlements in order to inflate beneficiary numbers, divert assistance and prevent effective monitoring.

International efforts to limit the scope for misappropriation of aid resources have been making progress: the Office of the United Nations Resident and Humanitarian Coordinator is putting in place a risk management system to help identify corrupt or underperforming contractors and implementing partners. Many agencies have also put in place third-party monitoring systems to verify aid delivery, but in some cases the Monitoring Group has learned that they — and their donors — have turned a blind eye to reports of diversion.

The crisis in Somalia continues to be characterized by attacks on civilians, widespread rape and sexual assault, the recruitment and use of child soldiers, and forcible displacement or confinement of vulnerable populations. But independent verification of such reports is severely hampered by lack of access, witnesses' fear of reprisals and a pervasive culture of denial — and occasional hostility — among Somali leaders and Government officials. International mechanisms for information sharing and coordination of reporting are underdeveloped and severely circumscribed by concerns about source protection.

As Somalia enters a new critical phase on the path to peace, security and stability, sanctions offer an important instrument of international and regional influence. On 1 May 2012, the United Nations, the African Union and the Intergovernmental Authority on Development issued a joint statement, invoking Security Council resolution 1844 (2008), and warning that "those who stand against peace and progress in Somalia" could face "the immediate imposition of specific measures and restrictions". For such threats to be credible, the Monitoring Group believes that individuals and entities that it has identified as violating relevant Security Council resolutions should be designated with the least possible delay. To that end, it proposes several new additions to the consolidated list of the Security Council Committee on Somalia and Eritrea.

I. Introduction

A. Mandate

1. The mandate of the Monitoring Group on Somalia and Eritrea is contained in paragraph 6 of Security Council resolution 2002 (2011), which was adopted on 29 July 2011. Additional tasks were assigned to the Monitoring Group under resolutions 2023 (2011) and 2036 (2012).

2. Pursuant to paragraph 6 (l) of resolution 2002 (2011), the Monitoring Group kept the Security Council and its Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea informed, throughout the period of its mandate, of its activities by submitting monthly progress reports through the United Nations Secretariat and by providing a midterm briefing to the Committee on 3 February 2012.

3. In the course of their investigations, members of the Monitoring Group travelled to Belgium, Canada, Djibouti, Ethiopia, Finland, France, Germany, Greece, India, Indonesia, Italy, the Kingdom of Saudi Arabia, Malaysia, the Netherlands, Nigeria, the Seychelles, Singapore, Somalia, South Africa, Sweden, Switzerland, Turkey, the United Republic of Tanzania, Uganda, Ukraine, the United Arab Emirates, the United Kingdom of Great Britain and Northern Ireland and the United States of America. In Somalia, members of the Monitoring Group were able to visit Mogadishu, Baidoa, Puntland and Somaliland, but much of the south of the country remained inaccessible.

4. The Monitoring Group was based in Nairobi and comprised the following experts: Matt Bryden (Coordinator), Emmanuel Deisser (arms), Aurélien Llorca (aviation), Jörg Roofthooft (maritime), Ghassan Schbley (finance), Babatunde Taiwo (armed groups) and Kristele Younes (humanitarian).

B. Methodology

5. The evidentiary standards and verification processes outlined in the previous reports of the Monitoring Group apply to work conducted during the mandate under review. The Monitoring Group reaffirmed its methodology pursuant to its previous reports (most recently, S/2011/433 of 18 July 2011). The methodology used for the current report is as follows:

(a) Collecting information on events and topics from multiple sources, where possible;

(b) Collecting information from sources with first-hand knowledge of events, where possible;

(c) Identifying consistency in patterns of information and comparing existing knowledge with new information and emerging trends;

(d) Continuously factoring in the expertise and judgement of the relevant expert of the Monitoring Group and the collective assessment of the Group with respect to the credibility of information and the reliability of sources;

(e) Obtaining physical, photographic, video and/or documentary evidence in support of the information collected.

6. The Monitoring Group made a deliberate and systematic effort to gain access to those involved in violations by way of individuals who have direct knowledge or who know people who have direct knowledge about details of violations.

7. The Monitoring Group interviewed a wide range of sources with relevant information, including government officials and representatives from diplomatic missions, civil society organizations and aid agencies. Members of the Monitoring Group met with a variety of Transitional Federal Government officials, officials from the Somaliland, Puntland and Gaalmudug administrations, other political and armed groups and numerous members of Somali civil society. However, in a letter dated 14 August 2011, the Transitional Federal Government President designated the Monitoring Group's Coordinator "persona non grata" in Somalia. Several senior Transitional Federal Government officials with direct knowledge of the decision informed the Monitoring Group that the letter was prepared upon the advice of Khadija Ossoble, an adviser to the Transitional Federal Government President who has been named in previous Monitoring Group reports and Abdikareem Jaama, former Presidential Chief of Staff.[1] The Monitoring Group recommends that the Committee consider censuring President Sharif, Ms. Ossoble and Mr. Jaama for attempting to obstruct the work of the Monitoring Group.

8. In conformity with the guidance provided to us by the Committee on several occasions, the Monitoring Group endeavoured to include as much of the testimony and evidence as possible in its final report. However, General Assembly resolutions on the control and limitation of documentation, in particular resolutions 52/214 of 22 December 1997, 53/208 of 18 December 1998 and 59/265 of 23 December 2004, necessitated the extensive use of annexes, preventing much of the substance from being translated.

9. In accordance with Secretary-General's bulletin entitled "Information sensitivity, classification and handling" (ST/SGB/2007/6) of 12 February 2007, the Monitoring Group has submitted to the Security Council Committee on Somalia and Eritrea, together with the present report, several confidential annexes containing information whose disclosure may be detrimental to the proper functioning of the United Nations or the welfare and safety of its staff or third parties or violate the Organization's legal obligations. These annexes will not be issued as a document of the Security Council.

II. Acts that threaten the peace, security and stability of Somalia[2]

10. Since the report of the Monitoring Group of July 2011 (S/2011/433), Al-Shabaab's fortunes have declined dramatically, ceding much of southern Somalia to the forces of AMISOM, Kenya and Ethiopia, and their local Somali allies. The loss of so much territory has also deprived Al-Shabaab of some lucrative border taxation points, and a Security Council ban on the importation of Somali charcoal

[1] See S/2003/1035, paras. 163-164; and S/2010/91, paras. 242-249.

[2] In paragraph 8 (a) of Security Council resolution 1844 (2008), the Council prohibits acts that threaten the peace, security or stability of Somalia, including acts that threaten the Djibouti Agreement of 18 August 2008 or the political process or threaten the transitional federal institutions or AMISOM by force.

threatens to further erode the group's income. An anticipated joint offensive towards Kismaayo would also deprive Al-Shabaab of its single most important source of revenue and its principal training bases. Confronted by such pressures, serious rifts have emerged within the group's leadership, threatening to produce a formal rupture, and Al-Shabaab fighters have begun to migrate northwards towards Puntland, Somaliland and Yemen. A steady trickle of foreign fighters is reported to be leaving Somalia.

11. These successes may prove short-lived unless Somalia's transitional federal institutions are replaced by a more effective, legitimate and broadly based national authority when their mandate expires in August 2012. Unfortunately, transitional federal institution leaders have been reluctant to fulfil their transitional responsibilities under the national charter and some have proven actively obstructive, calling for further extension of their own terms of office. While such "spoiler" behaviour is partly an expression of legitimate political competition, it is also symptomatic of pervasive corruption and the wholesale misappropriation of public financial resources.

12. In this context, the Monitoring Group has focused its efforts on those Somali political and commercial "elites" that have systematically undermined, distorted and corrupted decision-making processes within the transitional federal institutions for their own purposes, and which therefore represent the greatest threats to a successful and timely transition.

A. Public sector financial mismanagement and corruption

13. During the more than two decades of conflict and statelessness since the collapse of the Somali Government in 1991, successive generations of Somali leaders have engaged in corrosive political and economic practices that have aggravated the conflict and helped thwart the restoration of peace and security in the country. In its report of July 2011 (S/2011/433), the Monitoring Group noted that the Transitional Federal Government leadership's political disarray, its endemic corruption and its resistance to power sharing represented the principal impediments to security and stabilization in southern Somalia.

14. The Security Council, in its resolution 2002 (2011), specifically mandated the Monitoring Group to investigate the misappropriation of financial resources and other acts that undermine the transitional federal institutions' ability to fulfil their obligations in delivering services within the framework of the Djibouti Agreement.

15. Under the transitional federal institutions, the systematic misappropriation, embezzlement and outright theft of public resources have essentially become a system of governance. Somalia's prospects for stabilization and effective governance have fallen prey to political and commercial "elites" who appropriate, privatize and criminalize the core functions of the Somali State, enriching themselves while perpetuating a political economy of State collapse. The Monitoring Group has identified some of the most prominent among these "spoilers".

Misappropriation of financial resources: "Maxaa igu jiraa?"

16. Almost eight years since being established, the Transitional Federal Government's public sector financial management practices remain chaotic and opaque. While this is in part due to lack of capacity, it is also the product of deliberate, systematic and often sophisticated behaviour, intended to prevent transparency or accountability. The Transitional Federal Government President, the Speaker of Parliament, successive prime ministers, and public officials, ranging from the Cabinet level to the rank of District Commissioner, bear responsibility, in varying degrees, for this state of affairs. As one senior official involved in Transitional Federal Government finances told the Monitoring Group: "Nothing gets done in this government without someone asking the question 'Maxaa igu jiraa?' ('What's in it for me?')".

17. A report commissioned by the World Bank, published in May 2012, found that almost 68 per cent of Transitional Federal Government revenues in the 2009-2010 period were unaccounted for. The Monitoring Group's own investigations confirmed the involvement of senior Transitional Federal Government officials in the misappropriation of millions of dollars of domestic revenues and foreign aid, including contributions from Oman and South Sudan. Despite the efforts of some dedicated Transitional Federal Government officials to introduce greater transparency and accountability into the Transitional Federal Government's financial arrangements, it is clear from the Monitoring Group's investigations that the political will to enact such reforms is lacking in the highest echelons of government. A detailed treatment of corruption and the misappropriation of financial resources is contained in annex 1.1. to the present report.

Passports

18. The Somali passport has long lost most of its value as a travel document. As early as 2004, the Monitoring Group identified forged passports as a source of revenue for violators of the arms embargo.[3] After the collapse of the Barre regime, Somali passports could be bought on the open market, and the integrity of the document collapsed. Few countries would accept the Somali passport, severely constraining economic activities and contributing to a sustained exodus to foreign countries, since a foreign passport represented not only a degree of security, but also an economic asset.

19. The restoration of a widely acceptable travel document for Somalis is thus a priority of any national government, as much as a symbol of national revival as for its practical advantages. But corrupt Transitional Federal Government officials and their business associates have neatly transformed a noble objective into a corrupt money-making scheme characterized by corruption, fraud and potential threats to regional and international security.

20. Senior Transitional Federal Government officials responsible for the introduction of a new passport conspired to award the contract without competition to an influential Somali businessman, as a means to generate profits and kickbacks. Any pretext of central control of the issuance process was deliberately eliminated in order to maximize the volume of passport sales and resulting profits. Officials in Somali embassies and passport "offices" worldwide imposed extra charges and

[3] See S/2004/604, p. 26.

retained the proceeds for themselves. Between 2007 and 2010 not a single dollar earned from passport sales reached the State Treasury; between July 2010 and December 2011, nearly $1.5 million in revenue went unaccounted for, representing 60 per cent of the income from the project, and 6 per cent of total Transitional Federal Government domestic revenue for that year.

21. Fraud and corruption became rampant in the passport business, with multiple passports being issued to the same individuals under false identities and foreigners obtaining Somali passports, thanks to the intervention of senior Transitional Federal Government officials. Members of Al-Shabaab, including at least one senior leader, have allegedly received new passports, and the Monitoring Group has confirmed that one of Somalia's most notorious pirate leaders received a diplomatic passport in his own name with the full knowledge of senior Transitional Federal Government officials. A detailed account of the passport production project is contained in annex 1.2.

Currency printing

22. Currency printing has long been employed by Somali authorities as a means to generate quick revenues. But in the absence of effective monetary policy and regulatory controls, the practice is little better than counterfeiting, often with dramatic impact on the exchange rate and public savings. As early as 2003, the Monitoring Group described the practice as "the currency scam" and called upon Member States to curb the printing of Somali banknotes.[4]

23. Since 1992, the Monitoring Group has documented at least six episodes of currency printing, although many more are alleged to have taken place. The "government" of Ali Mahdi Mohamed introduced paper currency in new denominations in June 1992, as did self-proclaimed "presidents", Hussein Aydid and Abdinur Darman in 1997. Rival Puntland leaders, Abdillahi Yusuf and Jaama Ali Jaama, both sought to purchase new banknotes between 1999 and 2002. In 2002, the Indonesian Police told the Monitoring Group that Khadija Ossoble Ali sought to procure banknotes on behalf of Somalia's then Transitional National Government — a charge she denied.

24. In January 2010, the then Minister of Finance Sharif Hassan (current Transitional Federal Government Speaker) negotiated a deal with the Sudanese Government and the Sudan Currency Printing Press to print new Somali banknotes worth the equivalent of between $130 million and $150 million.

25. In view of the pervasive corruption within the transitional federal institutions, the limitations of the Transitional Federal Government Central Bank and the absence of a comprehensive legislative and regulatory framework or monetary policy, it is the assessment of the Monitoring Group that the planned introduction of this paper currency with less than six months remaining in the transitional process was intended to generate a political slush fund, enable large scale corruption and finance the ambitions of certain Transitional Federal Government leaders to interfere with the political process as defined by the Djibouti Agreement of 2010 and the road map.

[4] See S/2003/223, p. 40, and S/2003/1035, p. 36.

26. Despite concerns expressed by donors and the World Bank, and the resignation of the Governor of the Somali Central Bank over the scheme, senior Transitional Federal Government officials remained committed to the project. In March 2012, President Sharif visited Khartoum to assess progress. However, in June 2012, Prime Minister Abdiweli Gaas told the Monitoring Group that the introduction of the new currency had been suspended indefinitely (see also annex 1.3.).

B. Harakaat al-Shabaab al-Mujaahidiin

27. Although still a grave threat to peace, security and stability in Somalia, Al-Shabaab has suffered a series of reversals over the past year and has been significantly weakened by internal divisions. In August 2011, the group withdrew its forces from most of Mogadishu, and in October 2011, Kenyan forces, accompanied by a loose coalition of anti-Shabaab Somali militias, entered south-western Somalia, securing long stretches of the common border. Ethiopian troops followed suit in November 2011, occupying parts of northern Gedo, and launching cross-border offensives in Bay, Bakool, Hiiraan and Gaalgaduud regions in March 2012. Under sustained military and economic pressure, Al-Shabaab has since ceded even more territory, and its leadership seems increasingly divided.

Al-Shabaab finances

28. In February 2012, the Security Council passed resolution 2036 (2012), which expanded the mandate of AMISOM, enlarged the size of the force and banned the import of Somali charcoal, Al-Shabaab's single most important source of revenue. The main importers of Somali charcoal — notably the United Arab Emirates and Saudi Arabia — have been slow to implement the ban, and as of June 2012 large volumes of charcoal continued to leave the Al-Shabaab controlled ports of Baraawe and Marka for markets in Gulf Cooperation Council countries. But military offensives by AMISOM, Ethiopia and Kenya have deprived Al-Shabaab of control of lucrative taxation centres, including markets and border posts, eroding its revenue base (see annex 2.1.).

Tactics, techniques and procedures

29. Militarily, Al-Shabaab has generally declined to offer battle to foreign forces, avoiding sustained contacts and relying heavily on asymmetrical warfare techniques. Although the group continues to conduct raids and ambushes with some success in border areas, in Mogadishu its operations have been essentially confined to targeted killings, indirect fire and improvised explosive devices, including suicide bombings. Al-Shabaab's use of improvised explosive devices has been growing increasingly sophisticated, and there is growing evidence to suggest that Al-Shabaab obtains expertise and/or improvised explosive devices components from outside Somalia (see annex 2.2.).

Al-Shabaab north-east Somalia

30. Al-Shabaab's expansion northwards, as documented in the July 2011 report of the Monitoring Group (S/2011/433), entered a new phase in February 2012, with the announcement in February 2012 that the "Mujahidiin of the Golis Mountains", formerly headed by Mohamed Sa'iid "Atom", had formally joined Al-Shabaab.

Yasiin Khalid Osman "Kilwe", a close associate of Al-Shabaab "Amir" Ahmed Abdi Godane, declared himself the new leader of the group. Meanwhile, the Monitoring Group observed a steady influx of Al-Shabaab fighters from southern Somalia and the expansion of Al-Shabaab operations in Puntland, notably to the south of the port town of Bosaaso (see annex 2.3.).

C. Al-Shabaab as a regional and international threat

31. Paradoxically, at precisely the moment that Al-Shabaab's fortunes in Somalia have entered a phase of steep, and possibly irreversible, decline, the group's credibility and appeal appear to be growing among non-Somali extremists.

Al-Qaida

32. On 9 February 2012, Al-Shabaab and Al-Qaida issued a joint announcement of their formal merger. Al-Shabaab has long aspired to a partnership with Al-Qaida, and several of the most influential non-Somali figures associated with Al-Shabaab were alumni of Al-Qaida operations in East Africa: Fazul Abdu'llah Mohamed, Saleh Ali Saleh Nabhan and Abu Talha Al-Sudani. In September 2009, Al-Shabaab pledged its loyalty to Osama bin Laden, but received only praise and encouragement in return.

33. Al-Shabaab's declared relationship to Al-Qaida is unlikely to result in tangible benefits at a time when both groups are experiencing difficulties. But Al-Qaida's endorsement of the Somali extremists may further enhance Al-Shabaab's appeal abroad, and facilitate the forging of relationships with other Salafi-jihadi militants such as Al-Qaida in the Arabian Peninsula (AQAP) and Boko Haram in Nigeria, both of which have engaged with Al-Shabaab in the recent past.

Muslim Youth Centre/Al Hijra

34. In its July 2011 report, the Monitoring Group described in detail the existence of an Al-Shabaab support network in Kenya known as the Muslim Youth Centre. On 10 January 2012, Al-Shabaab announced a merger with the Kenya-based Muslim Youth Centre and designated Centre "Amir" Ahmed Iman Ali as Al-Shabaab's representative for Kenyan affairs. The Centre, which renamed itself Al-Hijra in early 2012, has continued to operate from Kenya with relative freedom, sending funds and recruits to Somalia in support of Al-Shabaab, while developing plans to conduct terrorist attacks inside Kenya and deploying several operational cells for this purpose.

35. Muslim Youth Centre relies heavily on the ideological guidance of prominent Kenyan Islamist extremists, including Sheikh Aboud Rogo, a radical cleric based in Mombasa, Kenya, a known associate of members of Al-Qaida East Africa and an advocate of the violent overthrow of the Government of Kenya. In consultation with Rogo, Muslim Youth Centre has not only changed its name, but reorganized its membership and finances in order to permit its organization, Pumwani Riyadha Mosque Committee in Nairobi, to continue funding Al-Shabaab. Details can be found in strictly confidential annex 3.1.

Ansar Muslim Youth Centre

36. The Ansar Muslim Youth Centre, in the United Republic of Tanzania, raises funds and recruits on behalf of Al-Shabaab. Headed by Sheikh Salim Abdulrahim Barahiyan, Ansar Muslim Youth Centre is based in Tanga and draws upon an extensive network of mosques across Tanzania.

37. Like Muslim Youth Centre in Kenya, the Ansar Muslim Youth Centre leadership is closely associated with the Kenyan extremist Aboud Rogo, and many of its senior members were previously associated with the Al-Qaida-linked office of Al-Haramayn Foundation in the United Republic of Tanzania. However, Ansar Muslim Youth Centre collaborates closely with Tanga-based criminal networks, including a notorious drug smuggling ring, for the movement of Al-Shabaab recruits and trainers to and from Somalia (see annex 3.2.).

D. Piracy and kidnap for ransom

38. Somali maritime piracy — a form of money-driven, clan-based, transnational organized crime — remained a threat to global shipping in 2011 and 2012, and represented a humanitarian tragedy for hijacked seafarers and kidnapped hostages, their families and employers (see also annex 4.1.). Approximately 245 people remain in the hands of Somali pirates today, both on land and sea.[5]

39. Somali pirates have never been more active than in 2011, registering a total of 237 incidents, compared to 219 in 2010. Most of that activity took place along Somalia's eastern and southern coasts, the Arabian Sea, and the southern Red Sea, while pirate activity in the Gulf of Aden further declined.[6]

40. However, the number of successful attacks dropped considerably, from 49 in 2010 to just 28 in 2011 — a reduction of 43 per cent. Half of those hijackings occurred in the first two months of the year, followed by a steep drop-off, with only 6 successful attacks occurring between May and December 2011, compared to 28 during the same period in 2010.[7] This downward trend continued in the first quarter of 2012, as the number of reported piracy incidents and successful attacks both declined.

41. The decreasing success rate can probably be attributed to improvements in the implementation of best management practices[8] by the shipping industry, more effective international counter-piracy naval operations, and the increasing use of private maritime security companies.

42. Pirate militias have begun to adapt to this more hostile operating environment in a variety of ways. In central Somalia, pirate groups have become involved in kidnapping for ransom on land, holding aid workers, journalists and tourists

[5] See UKMTO weekly report 19-25 May 2012.

[6] Data registered by the International Maritime Bureau. Incidents include vessels being hijacked, fired upon and boarded but not hijacked, and attempted attacks.

[7] This represented a total of 470 seafarers taken hostage in 2011, of whom 3 were injured and 8 were killed, a decline from the 1,016 seafarers taken hostage in 2010, of whom reportedly 13 were injured and 8 killed.

[8] Suggested Planning and Operational Practices for Ship Operators and Masters of Ships Transiting the High Risk Area (BMP version 4 — August 2011: Best Management Practises for Protection against Somalia Based Piracy).

hostage. Pirate negotiators have begun marketing their services as "consultants" and "experts" on piracy and "consultants", while exploring new types of criminal activity. A growing proportion of Somalis involved in piracy are members of the diaspora who hold dual nationality, and the Monitoring Group has identified several such individuals involved with pirate militia based near Harardheere. Some may also have ties to Al-Shabaab militants, Somali officials and private security companies involved in the counter-piracy business.

43. Pirate groups remain active in Puntland, where they appear to face no serious threat from the Puntland administration, despite the recent establishment of the Puntland Maritime Police Force with financial assistance from the United Arab Emirates.

Kidnap for ransom

44. The declining success of Somali pirate operations at sea may have contributed to more frequent incidents of kidnap for ransom on land, a trend that accelerated in September 2011, as foreign tourists, aid workers and a journalist were abducted in Kenya and Somalia before being transferred to the custody of Somali pirates (see annex 4.2.).

45. One of the pirate groups to have become involved in both kidnapping for ransom and "consulting" is the Indian Ocean Network: a subgroup of the Harardheere-Hobyo Piracy Network. Details can be found in annex 4.2. and strictly confidential annex 4.3.

Movement of piracy proceeds offshore

46. Investigating the movements and the investments of piracy proceeds, the Monitoring Group has identified several financial transfers between Somali pirates and individuals in the Somali diaspora, linked to a number of hijacking cases such as the MV *Al Khaliq* (2009), MV *Orna* (2010), MV *Irene SL* (2011), *Zirku* (2011), MV *Rosalio D'Amato* (2011) and MV *Enrico Ievoli* (2011). Details can be found in strictly confidential annex 4.4.

Judicial challenges: collusion, protection and immunity

47. The international community has dedicated enormous resources — political, military, intelligence and financial — to combating Somali piracy in recent years. Three large international task forces and a dozen independent, national missions are currently engaged in maritime counter piracy off the coast of Somalia.[9] However, such efforts are handicapped by the various judicial and legal obstacles that impede the investigation, the prosecution and the sanctioning of pirate leaders and kingpins.

48. The 125 registered hijacking cases attributed to Somali pirates since 16 December 2008 have affected at least 83 different countries, all of which would in theory be entitled to prosecute individuals who have caused harm to their citizens or national interests. Moreover, although 20 countries currently detain suspected Somali pirates in custody with a view to prosecution, not more than 10 of these

[9] NATO, European Union Naval Force, Combined Maritime Forces/Task Force 151 and independent naval task forces, such as of China, the Russian Federation, India, the Islamic Republic of Iran, Japan, Indonesia, Malaysia, Thailand, Singapore, Republic of Korea, Yemen and Saudi Arabia.

Governments have actually taken the initiative to undertake broader investigations into Somali pirate networks. As a result, the international community is investing enormous resources to pursue and punish those at the bottom of the piracy pyramid, most of whom are impoverished, functionally illiterate youth who are easily replaced, while virtually guaranteeing impunity for those at the top of the piracy pyramid, who bear the greatest responsibility and profit the most.

49. Similarly, attempts to impose targeted sanctions against senior Somali pirate figures have been thwarted in the Security Council. Since April 2010, the United Kingdom has placed a technical hold on proposed sanctions against pirate leaders to ensure that payments of ransoms remain legal.

50. Some pirates also benefit from the collusion and the protection of high-level Government officials. In early April 2012, Malaysian immigration authorities identified Mohamed Abdi Hassan "Afweyne",[10] one of the most notorious and influential leaders of the Hobyo-Harardheere Piracy Network (HHPN),[11] travelling on a Somali diplomatic passport to visit his wife and family living abroad.[12] In response to questions about his diplomatic status and the purpose of his trip, Afweyne presented the authorities with an apparently official document issued by the Director of the Transitional Federal Government Presidency (Chief of Cabinet), Mohamed Moalim Hassan, with knowledge of Transitional Federal Government President Sheikh Sharif Sheikh Ahmed. The document stated that Afweyne was involved in counter-piracy activities on behalf of the Transitional Federal Government for "Himan and Heeb" region.[13] Upon his return to Mogadishu a week later, Afweyne was reportedly summoned to the Presidency. The Monitoring Group has since obtained confirmation of Afweyne's status as a Transitional Federal Government "diplomat" and corresponding possession of a diplomatic passport issued by Transitional Federal Government-officials with the authorization of Somali President Sheikh Sharif Sheikh Ahmed,[14] implying that Afweyne, enjoys protection from the highest echelons within the Transitional Federal Government (see annex 1.2.). The Transitional Federal Government President informed the Monitoring Group that Afweyne's diplomatic status was one of several inducements intended to obtain the dismantling of his pirate network.

[10] Reportedly on 10 April 2012.

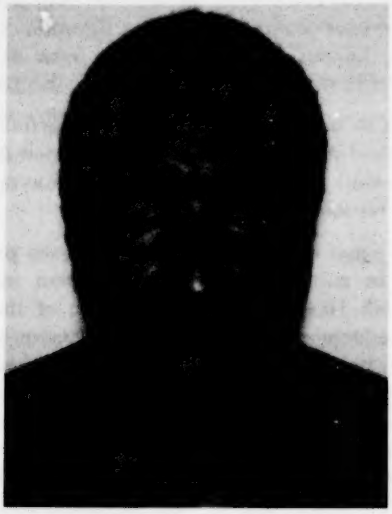
[11] Central Somalia, Mudug region.

[12] Passport number obtained by the Monitoring Group.

[13] The letter was e-mailed to Malaysia on Afweyne's request. Although the Monitoring Group has yet to obtain a copy of the document, this information has been independently confirmed to the Monitoring Group by reliable Government sources from three different countries.

[14] The Monitoring Group possesses all details of Afweyne's passport application; authorization confirmed by President Sheikh Sharif Sheikh Ahmed during a meeting with the Monitoring Group in Nairobi on 22 June 2012.

Figure I
Top pirate leader and "TFG diplomat" Mohamed Abdi Hassan "Afweyne"



III. Violations of the general and complete arms embargo[15]

51. The pattern of arms embargo violations in Somalia has changed little since previous mandates. Arms markets in Yemen remained the principal source of arms and ammunition for Somali non-State armed groups. Contributions by foreign Governments, mainly to the Transitional Federal Government but also to other authorities and militia forces, remained an important secondary source of supply.

52. The relative importance of Eritrea as a source of military and financial support for armed opposition groups appears to have declined. Enhanced international scrutiny of Eritrea's actions in Somalia and the region, growing friction in Eritrea's relationship with Al-Shabaab and the absence of other viable armed opposition groups have all contributed to this trend.

53. The Monitoring Group has found no evidence to substantiate allegations that Eritrea supplied Al-Shabaab with arms and ammunition by air in October and November 2011 (see annex 5.1.). However, the Group has established that Eritrea maintains relations with known arms dealers in Somalia and has violated the arms embargo during the course of the mandate by its support for Ethiopian armed opposition groups passing through Somali territory.

54. The activities of private security companies and their State or corporate sponsors is of growing concern. Two such companies are currently engaged in support to private Somali militias (a third company ceased operations in early 2011), whose primary purpose is to safeguard narrow commercial and political interests.

[15] In paragraph 8 (b) of its resolution 1844 (2008), the Security Council prohibited acts that violate the general and complete arms embargo imposed by the Council in resolution 733 (1992).

The extension and possible expansion of this trend over the long term could have grave implications for the security and stability of Somalia.

A. Foreign military operations in Somalia

55. Operations in Somali territory by foreign military forces constituted an important category of embargo violation during the course of the past mandate. Ethiopia, Kenya and Djibouti all conducted large-scale military operations in Somalia without prior authorization from the Committee. Djiboutian forces have since been "rehatted" as AMISOM troops and Kenya formally merged its forces with AMISOM on 2 June 2012, bringing the status of their forces into compliance with the sanctions regime.

56. Ethiopia has deployed forces to Somalia in 2011 and 2012, and provides military assistance to allied militias. Ethiopia has announced that it does not intend to place its troops under AMISOM command, meaning that its operations in Somalia currently constitute a violation of the arms embargo.

57. Unidentified unmanned aerial vehicles routinely operate in Somali airspace. The Monitoring Group currently considers them to be of an exclusively military nature; their importation to and use in Somalia therefore represents a potential violation of the arms embargo.

58. A detailed account of foreign military operations in Somalia, including the operation of unmanned aerial vehicles, is contained in annex 5.2.

B. Private security companies

59. Numerous private security companies currently operate in Somalia, with several providing, or intending to provide, support to Somali security sector institutions. Since external assistance to Somali security sector institutions must follow the procedures stipulated in Security Council resolution 1772 (2007), the provision of such assistance, in the absence of authorization from the Committee, constitutes a violation of the general and complete arms embargo on Somalia imposed by Security Council resolution 733 (1992).

60. In this connection, the Monitoring Group is concerned that Member States routinely fail to fulfil their obligations under paragraph 5 of resolution 733 (1992) and paragraph 7 of Security Council resolution 1844 (2008), which require them to take the necessary measures to prevent "the direct or indirect supply, sale or transfer of weapons and military equipment and the direct or indirect supply of technical assistance or training, financial or other assistance" to Somalia. The Monitoring Group has identified several countries currently serving as logistical hubs for private security companies' operations in Somalia in violation of resolutions 733 (1992) and 1844 (2008), namely, Ethiopia, South Africa, Uganda and the United Arab Emirates.

Sterling Corporate Services/Saracen International Lebanon

61. In late 2011, the assets, personnel and operations of Saracen International Lebanon were transferred to Sterling Corporate Services, reportedly a Dubai-registered company, which resumed large-scale military training, technical

assistance and support to the Puntland Maritime Police Force. Established in May 2010, with the involvement of Erik Dean Prince, the American founder of Blackwater U.S.A., this externally financed assistance programme has remained the most brazen violation of the arms embargo by a private security company.

62. In 2011, Saracen's training camp near Bosaaso became the best-equipped military facility in Somalia after AMISOM bases in Mogadishu. The Sterling Corporate Services base today includes a modern operational command centre, control tower, airstrip, helicopter deck and about 70 tents, which can host up to 1,500 trainees.

Figure II

Sterling Corporate Services camp at Qaw/Bandar Siyada, west of Bosaaso, in October 2011

63. Thanks to this massive initiative, the Puntland Maritime Police Force is now a well equipped elite force, over 1,000 strong, with air assets used to carry out ground attacks, which operates beyond the rule of law and reports directly to the President of Puntland. This private army disingenuously labelled a "counter-piracy" force, has been financed by zakat contributions mainly from high-ranking officials from the United Arab Emirates, including the Crown Prince of Abu Dhabi and Deputy Supreme Commander of the United Arab Emirates Armed Forces Sheikh Mohammed bin Zayed Al Nahyan. The Government of the United Arab Emirates, however, has officially denied any involvement in the project.[16]

64. Without the intervention of its State sponsor, there is no realistic prospect of this initiative receiving authorization from the Committee, meaning that it will continue to represent a flagrant breach of the sanctions regime on Somalia, characterized by a disturbing lack of transparency, accountability or regard for

[16] Meeting with a representative of the United Arab Emirates Ministry of Foreign Affairs, Abu Dhabi, 25 March 2012.

international law. A detailed study of Sterling Corporate Services/Saracen International operations in Puntland is contained in annex 5.3.a.

Pathfinder Corporation

65. In August 2011, the South Africa-based Pathfinder Corporation was contracted by Africa Oil Corporation, through its local subsidiaries, to provide security advice and risk analysis. Pathfinder personnel on the ground liaise with local authorities in charge of security and oversee the Exploration Security Unit, a special branch of the Puntland Security Forces established to protect oil exploration and exploitation.[17]

Figure III
Exploration Security Unit camp and Horn Petroleum Corporation drilling site, south of Bosaaso, 15 February 2012

66. Pathfinder's transparency and its efforts to comply with the sanctions regime arguably represent "best practices" for private security companies in Somalia. However, its "temporary issue" of military equipment and the direct funding of the Exploration Security Unit by Africa Oil (through its subsidiary Canmex Holdings) constitute violations of Security Council resolution 733 (1992).

67. A detailed study of Pathfinder operations in Puntland is contained in strict'y confidential annex 5.3.b.

Bancroft Global Development

68. The Washington D.C.-based charity Bancroft Global Development, operating in Somalia under the auspices of AMISOM, is currently the only private company

[17] On 15 February 2012, the Monitoring Group conducted, at the company's invitation, a field assessment of Pathfinder operations in Puntland.

providing assistance to Somali security sector institutions in conformity with resolution 1772 (2007).

69. On 28 March 2012, the Monitoring Group conducted, at Bancroft's invitation, a field assessment of Bancroft operations in Mogadishu, visiting four different locations where Bancroft personnel are currently deployed. A case study relating to this inspection is included in strictly confidential annex 5.3.c.

Other security providers

70. A growing number of foreign private security personnel and companies in Somalia provide security details for individuals, foreign companies, diplomatic missions, international non-governmental organizations and international organizations. They supervise local militias and provide armed escorts and static guards, often importing armoured vehicles, personal protective equipment and operating in an arguably paramilitary fashion.

71. Many external actors also contract private militias to provide local protection: a common practice among diplomats, international NGO workers, journalists, foreign contractors and businessmen visiting Mogadishu. Since November 2011, the United Nations has also engaged a private local militia in Mogadishu to protect the movements of its staff (see annex 5.5.).

C. Private maritime security companies/floating armouries

72. The unmonitored and largely unregulated activities of private maritime security companies off the coast of Somalia, offering armed protection to ships and crews traversing the high-risk area,[18] may represent a potential new channel for the flow of arms and ammunition into Somalia and the region.

73. During the course of the mandate of the Monitoring Group, this highly profitable business has expanded beyond the provision of armed escorts to the leasing of arms, ammunition and security equipment, and the establishment of "floating armouries" that operate in international waters beyond the remit of any effective international regulatory authority. Private maritime security companies are currently holding approximately 7,000 weapons in circulation, which are either owned or leased.[19]

74. The absence of control and inspection of armed activities inevitably creates opportunities for illegality and abuse, and increases the risk that the maritime security industry will be exploited by unscrupulous and criminal actors, eventually coming to represent a threat to regional peace and security, rather than part of the solution. A detailed analysis of private maritime security companies and floating armouries can be found in annex 5.4.

[18] The area bounded by Suez and the Strait of Hormuz to the north, 10° S and 78° E, which comprises the Red Sea, the Gulf of Aden, the Arabian Sea, the Gulf of Oman and parts of the wider Indian Ocean.

[19] Legal weapons, albeit some unregistered, 90 per cent of which are semi-automatic rifles.

D. Non-compliance

75. Non-compliance by Member States and international organizations has become a growing problem in Somalia over the past year.

76. The Monitoring Group has documented 144 flights to Somalia operated on behalf of 12 Member States, either of a military nature or in apparent connection with support to Somali security sector institutions, that have not been notified to the Committee on Somalia and Eritrea and therefore represent potential technical violations of the arms embargo.[20]

77. During the course of the mandate, Ethiopia, France, the Sudan, Turkey, the United Arab Emirates, the United Nations and the United States have all provided support to Somali security sector institutions without providing prior notice or obtaining advance authorization from the Committee. Such actions potentially violate the arms embargo imposed pursuant to Security Council resolution 733 (1992) and contravene the procedures stipulated by resolution 1772 (2007) regarding the provision of support to Somali security sector institutions.

78. Incidents of non-compliance are listed in annex 5.5.

IV. Obstruction of humanitarian assistance

79. Deteriorating food security conditions as a result of both drought and conflict led the United Nations to declare a famine in Somalia on 20 July 2011.[21] Crisis conditions continued into the first half of 2012.

80. Efforts to assist distressed populations encountered numerous obstacles: in Al-Shabaab-controlled areas, Western aid agencies were generally denied access or were required to accept unacceptable restrictions on their ability to operate and monitor activities. In areas under the control of the Transitional Federal Government, aid agencies struggled to adapt to a complex environment dominated by a system of "gatekeepers", new donors and a general lack of control on the part of the central authorities. The delivery of humanitarian assistance was further complicated by international military operations conducted by the Governments of Kenya and Ethiopia, and by AMISOM.

A. Denial of access

81. The deteriorating humanitarian conditions and the declaration of the famine prompted many international NGOs to attempt to establish themselves in Mogadishu in the first half of 2011, or to base international staff members in Somalia for the first time in years. These attempts met with limited success given the security constraints.

82. Despite the crisis situation, Al-Shabaab did not relax the restrictions imposed on aid agencies.[22] On 28 November 2011, the group banned 16 international NGOs

[20] According to flight plans submitted to the Civil Aviation Caretaker Authority for Somalia between 26 July 2011 and 25 May 2012.

[21] See www.emro.who.int/press-releases/2011/un-declares-famine-in-somalia.html.

[22] Interviews with several humanitarian agencies officers, Nairobi, December 2011.

and United Nations agencies from operating in areas under its control and seized 22 compounds and assets belonging to these agencies.[23] The ban was followed by the imposition of new "taxes" on remaining agencies in December 2011, and the expulsion of the International Committee of the Red Cross on 30 January 2012.[24] International agencies, which continued to work in southern Somalia throughout 2011 and 2012 reported constant harassment by Al-Shabaab officials.

83. A detailed list of obstructive incidents can be found in annex 6.1.

B. Diversion and misappropriation of humanitarian assistance

Gatekeepers

84. In areas controlled by the Transitional Federal Government, aid agencies seeking to respond to crisis conditions encountered a variety of sophisticated strategies to attract, control and divert humanitarian assistance. The most pervasive and subtle of these involved the role of IDP camp managers and district officials as "gatekeepers" to control physical access, manage aid resources and prevent effective monitoring of the use of aid.[25]

85. Such tactics, combined with adverse security conditions, undermined the ability of aid organizations to verify whether aid was actually reaching the intended beneficiaries or if those beneficiaries even existed. Reports by third-party monitors engaged by some aid agencies to overcome such challenges present a mixed assessment, confirming that diversion was indeed a serious problem[26] but that in some cases aid agencies and donors chose to ignore or bury reports to this effect.[27]

86. The exploitation of civilians as pawns to attract aid resources was further compounded by the modus operandi of many aid agencies, which, with the support of donors, often worked through gatekeepers, employing them as staff or even as implementing partners. One Somali NGO, Saacid, went so far as to place all of Mogadishu's 16 district commissioners on its payroll (see also annex 6.2).

87. Similar problems were reported in zones controlled by foreign military forces and allied Somali militias. Whereas humanitarian organizations sought to operate independently in these areas, foreign military commanders typically perceived humanitarian assistance as a potential "hearts and minds" dimension of their campaign, and local Somali leaders sought to exercise control over aid resources.[28]

88. Diversion of humanitarian assistance occurred in Al-Shabaab-controlled areas as well, and agencies struggled to find ways to avoid paying direct taxes to Al-Shabaab. Although many agencies found ways to work independently with the support of local communities, others ended up paying the required taxes to maintain their presence on the ground. Incidents of looting of supplies by Al-Shabaab groups

[23] See www.un.org/apps/news/story.asp?NewsID=40539.
[24] See www.icrc.org/eng/resources/documents/news-release/2012/somalia-news-2012-02-02.htm.
[25] Interviews with aid agencies and donors, Nairobi and Mogadishu, December 2011-April 2012.
[26] Interviews with third-party monitors, Mogadishu, 13 March 2012.
[27] Interviews with IDPs in several camps in Mogadishu, August-October 2011.
[28] Interviews with United Nations heads of agencies, Nairobi, April 2012.

took place regularly, and forced ICRC to suspend its distribution activities on 12 January 2012,[29] leading to its eventual ban by Al-Shabaab on 30 January 2012.

C. Best practices

89. Despite the challenges, aid agencies and donors have taken significant and encouraging measures to combat diversion and misappropriation of humanitarian assistance. The use of "third party" monitoring mechanisms has become widespread, especially among agencies involved in the delivery of food aid, although the effectiveness of such monitoring varies.

90. The Office of the United Nations Resident and Humanitarian Coordinator has established the Risk Management Unit of the United Nations country team, which manages a database of contracts entered into by United Nations agencies. Plans of the Unit include establishing minimum standards of due diligence that all agencies should adhere to before entering into a contract with any entity, and the identification of problematic or risky implementing partners and contractors. The Unit is also promoting standard clauses in United Nations agency contracts to the effect that partners risk termination if they are found by any member of the United Nations family to have engaged in improper behaviour. The Unit also offers United Nations agencies, upon request, a review of their contracting processes that complements the internal controls applied by individual agencies.[30]

91. Despite the efforts of the Risk Management Unit, the United Nations country team has not yet agreed on a system-wide approach to contractors or implementing partners that have been identified as problematic.[31] Finally, even though the largest agencies have provided information to the Unit regarding their contracts, only 8 out of 24 United Nations agencies working in Somalia are participating in the system.

92. Moreover, despite these improvements, resistance or denial within some agencies means that problems may be identified, but not addressed. Some international NGOs, for example, continued to engage local partners, even when credible allegations surfaced of their role in diverting food aid.[32]

V. Violations of international humanitarian law

93. The plight of war- and famine-affected populations in 2011 and 2012 was aggravated by pervasive violations of international humanitarian law and human rights principles. Efforts to document such acts in the Somali context are rendered especially difficult by lack of access, insecurity and, in some cases, a culture of denial on the part of Somali leaders. This denial is further aggravated by an overall tendency on the part of the international community — donors and United Nations agencies alike — to refrain from holding Somali authorities, their military and paramilitary forces and their supporters accountable for violations of applicable international humanitarian law.

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[29] See www.icrc.org/eng/resources/documents/news-release/2012/somalia-news-2011-01-12.htm.

[30] Interview with Manager of the Risk Management Unit, Nairobi, 7 February 2012.

[31] Interview with United Nations head of agency, Nairobi, 10 February 2012.

[32] See www.guardian.co.uk/world/feedarticle/9798947; and www.enoughproject.org/publications/somalia-famine-relief-view-mogadishu.

94. The Monitoring Group has been able to confirm that Security Council resolution 2002 (2011) is routinely violated by all parties to the conflict, including attacks on civilians, gender-based violence, the recruitment and use of child soldiers and the forcible displacement or confinement of civilians.

A. Attacks on civilians

95. Civilians have borne the brunt of the impact of the ongoing conflict in Somalia, with all major parties guilty of either indiscriminate attacks or disproportionate use of force. Al-Shabaab has been the worst offender: in areas under the group's control, civilians are routinely arrested, beaten or executed on charges of being "spies".[33] In areas controlled by the Transitional Federal Government and affiliated groups, arbitrary executions and indiscriminate retaliation are commonplace, and due process is routinely denied to those accused of working with Al-Shabaab.

96. Civilians have also suffered from international military operations, although the exact number of civilian casualties is unknown. Both the Kenyan and the Ethiopian military have shown little transparency with respect to operational procedures and battlefield damage assessments, making it difficult to ascertain whether they have adopted measures to avoid, mitigate and compensate harm to civilians.[34]

97. Throughout the country, journalists have also been targeted, making Somalia reportedly the most dangerous country in the world for representatives of the media. All parties have failed to take adequate measures to protect journalists, or to identify and prosecute their killers.

98. A detailed inventory of attacks on civilians is included in confidential annex 7.1.

B. Gender-based violence

99. Throughout Somalia, women were exposed to various forms of gender and sexual violence, including rape and sexual assault, forced marriage and public beatings. In Al-Shabaab-controlled areas, girls are routinely taken from their families to be forcefully "married" to Al-Shabaab fighters, or offered as a "reward" for men who have volunteered to be suicide bombers.[35] Women who dress in Somali traditional clothes, as opposed to the more conservative garments preferred by the Islamists, are routinely beaten. Similarly, women in Al-Shabaab-controlled areas have reported being beaten when leaving the house without a male relative.[35]

100. Women fleeing Somalia for refugee camps in Kenya and Ethiopia have told the Monitoring Group of incidents of rape by "bandits" on the road. Women in Transitional Federal Government-controlled areas are no better protected: incidents of sexual violence in IDP camps are high, with rape being described as "endemic"

[33] Interviews with human rights activists, Nairobi and Mogadishu, December 2011-March 2012; see also Human Rights Watch Report, 20 February 2012, *No Place for Children*, available at http://www.hrw.org/reports/2012/02/20/no-place-children.

[34] Interview with civil-military experts, Nairobi, December 2011 and January 2012.

[35] Focus group discussions with Somali refugee women, Dolo Adow, 7 March 2012.

by human rights activists and aid workers alike.[36] Devoid of the protection of their weakened clans, IDP women are preferred prey for gatekeepers and their associates, including members of the Transitional Federal Government police and armed forces.[37] Efforts on the part of the international community to address the issue and force action on the part of the central authorities have been met with inaction and a refusal to acknowledge the problem.[38] Details can be found in annex 7.2.

C. Child soldiers

101. All parties to the conflict in southern Somalia systematically recruit and use children in their armed forces and militias. Children recruited by the Transitional Federal Government tend to be lured into the military by economic inducements or absorbed during integration of pro-government militias into Transitional Federal Government forces.

102. Al-Shabaab's forced recruitment methods are the most aggressive and intensified in 2011, with the escalation of military operations across much of the country. Children as young as 11 are routinely taken from their homes or schools, and parents may be killed if they protest.[38] Forced recruitment has forced many families to flee Al-Shabaab-controlled areas.[39]

103. See annex 7.3. for more details.

D. Forcible displacement or confinement

104. In 2011 and 2012, continuing conflict and drought led many Somalis to seek safety and assistance either within their own country, often moving to larger urban centres, or in other countries in the region, especially Kenya and Ethiopia. In July 2011, coinciding with the declaration of the famine, UNHCR registered the highest levels of displacement since March 2010.[40] In July 2011 alone, 30,664 refugees were registered at the Dadaab refugee camp in Kenya.[40] As at April 2012, the total number of IDPs in Somalia was 1.36 million and the number of refugees in the region was 973,151.[41]

105. Adding to displacement caused by natural causes and general insecurity, civilians throughout Somalia were subjected to forced displacement by different parties. In Al-Shabaab-controlled areas, famine-affected groups were forcibly confined, prevented from migrating to seek access to humanitarian assistance, or forcibly returned to their home town and villages before they could do so safely. In

[36] Interviews with the United Nations, international non-governmental organizations and Somali NGOs heads of agencies, Nairobi and Mogadishu, December 2011-March 2012.

[37] Interviews with IDP women in Badbaado, Rajo and Taribunka camps, Mogadishu, August-October 2011.

[38] Interviews with the United Nations and NGOs heads of agencies, Nairobi and Mogadishu, December 2011-March 2012; interview with Somali Prime Minister, Mogadishu, 14 March 2012.

[39] Focus group discussions with Somali Refugee Women, Dolo Adow, 8 March 2012.

[40] See http://data.unhcr.org/horn-of-africa/somalia.php.

[41] Numbers were provided by the Office of the United Nations High Commissioner for Refugees (UNHCR) Somalia office, April 2012.

Transitional Federal Government-controlled areas, IDPs were evicted from public buildings without being provided with appropriate alternatives.

106. In Puntland, authorities implemented severe anti-IDP policies involving the forcible eviction of IDPs from Puntland to areas they previously fled.[42] Details about these cases can be found in confidential annex 7.4.

VI. Consolidated list

107. On 17 February 2012, the Committee approved a revised list of individuals and entities subject to the travel ban, assets freeze and targeted arms embargo imposed by the Security Council in paragraphs 1, 3 and 7 of its resolution 1844 (2008). This list now includes 11 individuals and 1 entity.

108. The revision of 17 February 2012 involved the addition to the list of Ali Ahmed Nur Jim'ale, a prominent member of Somalia's business community, currently resident in Djibouti. In addition to his Somali nationality, the Government of Djibouti has also awarded citizenship to Mr. Jim'ale.

109. Both the Transitional Federal Government and the Government of the Republic of Djibouti have petitioned the Committee to have Mr. Jim'ale removed from the consolidated list in accordance with the procedure for delisting stipulated in Security Council resolution 1844 (2008).

110. Pending a decision by the Committee with respect to delisting, both the Transitional Federal Government and the Government of Djibouti have indicated their opposition to the implementation of targeted measures (travel ban, assets freeze and targeted arms embargo) against Mr. Jim'ale. The Transitional Federal Government issued him a diplomatic passport bearing number D00002847 on 24 March 2011. The Central Bank of Djibouti has informed the Monitoring Group that it has identified no bank accounts held by Mr. Jim'ale.[43]

VII. State cooperation with the Monitoring Group

111. The Monitoring Group is concerned by the generally low level of cooperation received from Member States, including some members of the Security Council Committee on Somalia and Eritrea. Of 78 letters sent by the Monitoring Group requesting information from Member States, only 44 received replies and only 24 of those responded in full (see annex 8).

112. In this connection, the Monitoring Group especially wishes to emphasize the importance of Member States providing comprehensive replies and documentation, where it exists, with respect to the tracing of arms and ammunition recovered in Somalia.

113. The President of the Transitional Federal Government of Somalia declared the Monitoring Group's Coordinator persona non grata. However, the Prime Minister

[42] UNHCR Population Monitoring Network, Protection Cluster Update Weekly Reports, August 2011-April 2012.

[43] Letter from the Permanent Mission of Djibouti to the United Nations, 30 May 2012.

and other senior officials were generally very cooperative and Monitoring Group experts were able to travel to Mogadishu on several occasions.

114. With the exception of the Puntland administration, other Somali authorities and groups also extended their cooperation to the Monitoring Group. The Puntland authorities withheld their cooperation and failed to respond to requests for information. The Monitoring Group considers the conduct of the Puntland administration to represent a potential obstruction to the work and investigations of the Monitoring Group.

VIII. Recommendations

A. Threats to peace and security

115. The Monitoring Group recommends that:

(a) In order to curb rampant corruption within the transitional federal institutions, the Security Council should require, in a future resolution, that the planned joint financial management board be established as quickly as possible as a non-negotiable condition for future assistance to the Transitional Federal Government from international partners;

(b) The Chair of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea write to the Governments of the Kingdom of Saudi Arabia and the United Arab Emirates to remind them of their obligations under resolution 2036 (2012) to take measures to prevent the importation of charcoal from Somalia;

(c) The Committee should proceed without delay to designate known Al-Shabaab affiliate groups in East Africa, notably the Muslim Youth Centre/ Al Hijra and Ansaar Muslim Youth Centre, for targeted measures.

B. Piracy

116. The Monitoring Group recommends that:

(a) The Committee should proceed without further delay to designate known pirates and their associates identified by the Monitoring Group or Member States for targeted measures;

(b) The Security Council should consider the possibility of establishing a specialized investigative group of experts with a mandate to collect information, gather evidence and record testimonies relating to acts of Somali piracy, including and especially the identification of pirate leaders, financiers, negotiators, facilitators, support networks and beneficiaries;

(c) The Security Council should consider making explicit reference, in its next resolutions on Somalia and piracy, to the Monitoring Group's responsibility of investigating and identifying key individuals responsible for acts of piracy off the coast of Somalia, as well as the movement and investment of piracy proceeds, and call upon Governments, international organizations and national law enforcement agencies to exchange evidence and information with a view to the arrest and the

prosecution of senior pirate leaders and their associates, or to their designation for targeted measures;

(d) The Security Council should consider options for the establishment of an international regulatory authority that regulates, monitors and inspects the activities of private maritime security companies operating floating armouries and providing armed protection to vessels in international waters.

C. Arms embargo violations

117. The Monitoring Group recommends that:

(a) The Committee should proceed without delay to designate Sterling Corporate Services, Australian African Global Investments and their affiliates, subsidiaries, owners and senior management for targeted measures;

(b) The Committee should urge the Governments of South Africa, the United Arab Emirates, Uganda and Ethiopia to take all necessary steps to prevent the use of their ports and airports for activities in connection with technical assistance and training, financial and other assistance to military activities in Somalia in violation of Security Council resolutions 733 (1992), 1425 (2002) and 1844 (2008);

(c) The Security Council should consider requiring States providing technical training and assistance, including the deployment of armed personnel and military equipment, intended solely for the support of or use by the mission referred to in paragraph 9 of Security Council resolution 1772 (2007), to notify the Committee established pursuant to resolution 751 (1992) and 1907 (2009), in advance and on a case-by-case basis for informational purposes only;

(d) The Security Council should consider that measures imposed by paragraph 5 of resolution 733 (1992) shall not apply to protective clothing, including flak jackets and military helmets, temporarily exported to Somalia by foreign companies contracted in support of the mission referred to in paragraph 9 of Security Council resolution 1772 (2007) or of United Nations operations and staff in Somalia;

(e) The Security Council should consider expanding the mandate of AMISOM to include enforcement of the arms embargo, and request the United Nations, in coordination with the Monitoring Group, to work with the African Union to develop a specialized unit of an appropriate size to enforce the arms embargo in ports, airports and border posts, located within AMISOM sectors in Somalia, as established in Côte d'Ivoire within the United Nations Operation in Côte d'Ivoire under paragraph 7 (c) of Security Council resolution 2000 (2011).

D. Obstruction of humanitarian assistance

118. The Monitoring Group recommends that:

(a) The Committee should request the United Nations Resident and Humanitarian Coordinator for Somalia to make disclosure of contracts to the Risk Management Unit mandatory for all United Nations agencies, with the following requirements:

(i) That information shared should include subcontracts and details of implementers;

(ii) That programme budgets should be shared to ensure Somali civil servants are not on the payroll of the United Nations and its implementing partners;

(iii) That the United Nations country team ensure that the Risk Management Unit has all the resources it needs to function effectively.

E. Violations of international humanitarian law

119. The Monitoring Group recommends that:

(a) The Transitional Federal Government should ensure greater protections for civilians, particularly women and girls, by establishing control over the sale of military and police uniforms, providing adequate security to IDP camps, ensuring that victims of abuses can safely report all incidents and that thorough investigations are systematically undertaken;

(b) The Transitional Federal Government should immediately sign, ratify and enforce the Convention on the Rights of the Child, adopted and opened for signature, ratification and accession by General Assembly resolution 44/25 of 20 November 1989, as well as its Optional Protocol on the involvement of children in armed conflict, adopted and opened for signature, ratification and accession by General Assembly resolution 54/263 of 25 May 2000. Autonomous authorities in Somalia should also align themselves with international standards and refrain from the recruitment of anyone under the age of 18 into their security forces;

(c) The Committee should request the United Nations Resident and Humanitarian Coordinator to engage with all regional and central authorities in Somalia to ensure the adoption of and respect for, at all levels, the United Nations guidelines on internally displaced persons.

Annex 1

Misappropriation of financial resources

Annex 1.1.: Public sector financial mismanagement and corruption

1. On 30 May 2012, the World Bank published an assessment of TFG finances that found US$131 million in government revenues unaccounted for in 2009-10, equivalent to 68 per cent of total income for that period. The Monitoring Group's own investigations suggest that an additional US$40 million of potential revenue may have gone either uncollected or unaccounted for in 2011. In response to the report, TFG President Sharif Ahmed was quoted as saying that the missing funds referred to never reached Somalia and were "perhaps in the pockets of other people." He added that he would welcome assistance in finding the funds because "the transitional government is now struggling to pay workers their wages,"[1] although the World Bank's report had clearly indicated that the missing funds - US$72 million in 2009 and US$39 million in 2010 – were sufficient to pay all civil servants, parliamentarians and security forces in those two years. President Sharif concluded his comments by calling for more aid.

2. The episode illustrates a fundamental problem with the Transitional Federal Institutions: that their leaders have successfully marketed the government's weakness, fragility and possible collapse as a lure to attract more assistance. As a result, corruption, embezzlement and fraud are no longer symptoms of mismanagement, but have in fact become a system of management.

3. Moreover, of the 30 per cent of revenues that the TFG can actually account for, almost one quarter is channelled through the offices of the three principal leaders: the President, Prime Minister and Speaker of Parliament. In 2011, these three offices spent more than US$12.6 million, representing almost 23 per cent of total government expenditure -- almost as much as was spent on the TFG security forces (US$13.4 million) or the expenditure of all Ministries combined (US$15.4 million).

4. Some progress is gradually being made to improve transparency and enhance accountability. During the course of its investigations, the Monitoring Group has enjoyed the support and cooperation of numerous government officials, past and present, including some at the cabinet level, who are committed to cleaning up the Augean mess of TFG finances. The percentage of income unaccounted for has fallen over the past two years and internal financial management systems are steadily improving.

5. Such progress, however, is offset and possibly even neutralized by the inclination of TFI political leaders to resist any efforts to enhance transparency or accountability. Much of the cash received as foreign aid never reaches the Central Bank or the Treasury. TFG leaders have generally shunned a funding mechanism managed by Price Waterhouse Coopers, which was established with donor support as a confidence building measure. And an internal TFG Public Financial Management Unit (PFMU) was established in 2009, but produced only one report and two quarterly reviews before it was dissolved under political pressure from members of President Sharif's political circle (see below).

6. It is the assessment of the Monitoring Group that the systematic, deliberate misuse of public office, including the misappropriation of public finances, continues to represent the most serious

[1] http://www.voanews.com/content/un-ban-somalia/1146218.html.

impediment to building effective governing institutions in Somalia and, by extension, to the restoration of peace, security and stability. The Group therefore recommends that the Security Council Committee on Somalia and Eritrea consider imposing targeted measures, and possibly other forms of political censure, against the senior Somali political leaders who bear responsibility for this misconduct.

Public sector financial management

TFG Financial Institutions

7. The Ministry of Finance is officially responsible for the collection and accounting of all revenue for the TFG and its disbursement to other ministries and agencies.[2] Other TFG financial institutions are:

i) Central Bank of Somalia, responsible for receiving deposits of all domestic revenue as well as external assistance; and, functioning as the main bookkeeper for both the TFG and local governments;
ii) Office of the Accountant General (OAG), embedded in the Finance Ministry and responsible for accounting all public financial revenue and expenses as well as to keep copies of all financial transactions;
iii) Office of the Auditor General, responsible for control of all TFG expenses and income as well as reviewing deposits and withdrawals from the Central Bank in accordance with the TFG annual budget approved by the Parliament,

8. These official mandates, however, are largely notional: the Ministry of Finance exercises little, if any, real; control over most government revenue streams, even from domestic assets like Mogadishu port; the Central Bank does not receive all deposits, and routinely disburses cash to individuals rather than to institutions, often without written justification. Not surprisingly, neither the Accountant General nor the Auditor General has a complete of even coherent understanding of government finances. Furthermore, all of these institutions are weak, under-staffed and communications and coordination between them is poor.[3]

9. In 2009, under mounting pressure both form within the TFIs and its international partners, then TFG PM Omar Abdirashid Sharmarke established a Public Financial Management Unit (PFMU) under the direct authority of the Prime Minister and headed by Abdirazak Fartaag, in order to introduce greater accountability and transparency into the TFG finances. In May 2010, the PFMU published the 2009 Annual Financial Report, followed by two quarterly reviews. These documents offered the first credible insights into the state of the TFG's financial health since its inception in 2004. Finance Minister Sharif Hassan, however, was reportedly displeased by this publication and ordered his staff not to answer any questions with regard to TFG revenues and expenditures.[4]

[2] Interview with a high level TFG official from the Ministry of Finance, Nairobi, 5 June 2012.
[3] Interviews with TFG officials as well as TFG advisors, Nairobi, May and June 2012.
[4] Interviews with Fartaag, Nairobi, 6 June 2012, and with a former TFG official, Nairobi, May 2012.

10. In May 2011, allegedly under pressure from members of President Sharif's inner circle, including Abdulkarim Jaama, President Sharif's Chief of Staff, the new TFG Prime Minister, Mohamed Abdillahi 'Farmaajo', disbanded the PFMU.[5]

The "Audit Investigative Financial Report 2009-10"

11. On 21 May 2011, immediately following the closure of the PFMU, it's former Director, Abdirazak Fartaag, issued his first non-official "Audit Investigative Financial Report 2009-2010" (AIFR). The AIFR compared data collected during his tenure as head of the PFMU, data provided from the official TFG budget, and data obtained from the Office of the Accountant General (OAG), and other formal and informal sources.[6] Based on its findings, the AIFR accused the TFG of:

i) Gross public financial mismanagement;
ii) Large scale misappropriation of public funds;
iii) Large scale misappropriations of donor funds (Arabian);
iv) Unethical and unacceptable professional negligence;
v) Financial intimidation at the Executive's office compromising transparent and accountability;
vi) Concealment (under) collection of government budget revenue receipts;
vii) Concealment (under) payment of outstanding government expenditure receipts.[7]

12. Despite charges from TFG officials that Fartaag was simply a disgruntled former employee with an axe to grind, in the absence of any other official TFG financial reporting, the AIFR and OAG reports became principal points of reference for future analyses of the TFG financial situation.

13. On 20 February 2012, Fartaag published his second, unofficial "Audit Investigative Financial Report – 2011" where he compared the financial and budgetary performance of the two TFG administrations in 2011: the first half-year administration of PM Mohamed Abdullahi Farmaajo and the second half-year administration of the current PM Dr. Abdiweli Mohamed Ali.[8] The second non-official report underscored the inability of the government to collect the "direct tax" revenues reflected in the official 2011 TFG Budget (see below) and the lack of transparency in the external assistance originating from Arab States such as Sudan and the UAE.[9] Fartaag claims that former PM Farmaajo tried to persuade him not to publish this report on the grounds that it could jeopardize Arab donations.[10]

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[5] Interview with Fartaag, Nairobi, 6 June 2012.
[6] Abdirazak Fartaag, "Audit Investigative Financial Report 2009-2010", 21 May 2011. The AIFR report was not endorsed by the TFG.
[7] Abdirazak Fartaag, "Audit Investigative Financial Report 2009-2010", 21 May 2011.
[8] Abdirazak Fartaag, "Audit Investigative Financial Report – 2011", 20 February 2012. The report was published during a press conference organized in Nairobi on 20 February 2012, and it was not endorsed by the TFG.
[9] Abdirazak Fartaag, "Audit Investigative Financial Report – 2011", 20 February 2012.
[10] Interview with Abdirazak Fartaag, former head of the TFG PFMU, Nairobi, 6 June 2012.

The World Bank 'Financial Diagnostic Assessment'

14. On 30 May 2012, the World Bank published a report entitled "Summary of Financial Diagnostic Assessment of Audit Investigative Financial Report 2009-10," which assessed the figures reported in Fartaag's 2009-2010 AIFR, including the figures obtained from the OAG. The World Bank Financial Diagnostic Assessment (FDA) also identified "possible missing aspects of the AIFR and assesses the scope and scale of the AIFR allegations, including context and involved actors."[11]

15. The key findings of the FDA were:

i) the TFG collected about US$94 million in revenues in 2009 and US$70 million in 2010;[12]

ii) the TFG revenue exceeded official TFG expenditures by US$72 million in 2009 and US$39 million in 2010 – which was enough to pay all civil servants, parliamentarians and security forces in those two years;

iii) the main external revenue is believed to consist of direct foreign donations, primarily from various Middle-Eastern contacts; in fact, most foreign development and humanitarian aid is channeled to Somalia through NGOs and UN agencies, and not through the TFG;

iv) the TFG could have collected revenue from tax on qaad, telecommunications and remittance companies if it had made an effort to do so. It appears that no substantial revenue was collected on telecommunications, qaad or from remittance companies in 2009 and 2010. The TFG may be challenged as to why it has not formulated a policy of taxation on these sectors, processed it for legislation, and had an annual financial budget passed through the TFP;

v) the existence of a clear inconsistency in the official TFG records. The Accountant General, Central Bank and Ministry of Treasury record of domestic revenue is as approximately US$11 million, whereas OAG records it as approximately US$8 million with the difference being external revenue.

16. The World Bank FDA report also noted that the lack of reliable information impedes the ability to form a complete and accurate picture of TFG finances. For example, when TFG ministers resign, they retrieve or destroy all important documents relevant to their terms of office.[13] Lastly the World Bank FDA report noted that other forms of revenue and expenditure were addressed neither in the AIFR nor in the FDA, including:

[11] World Bank, "World Bank Summary of Financial Diagnostic Assessment of "Audit Investigative Financial Report 2009-10", 30 May 2012.

[12] The World bank FDA revenue findings differ from the one reported by the AIFR and the OAG. The FDA summarizes that the AIFR over estimated the TFG domestic revenue by computing revenue generated from qaad and telecommunication taxations; and by computing revenue generated from the Mogadishu port authority which are collected and retained by the port management and not submitted to the TFG (See paras 17 – 19 below). The FDA also notes that the OAG revenues are under-estimated.

[13] Interview with current and former TFG officials, Nairobi, May and June 2012.

i) Multilateral Assistance: a full investigation of multilateral aid remains outstanding, and only funds channelled directly through TFI's require accounting by the TFG. The PWC account for support to the TFG should be also accounted for comprehensively;

ii) "Privatization" Schemes: the AIFR did not look at major schemes of privatization of Somali assets, such as marine resources concessions and the tendency to outsource security operations;

iii) Other Revenue Streams of relevance for 2009 and 2010 that could be passport issuance, fishing concessions and remittance taxation;

iv) Somali Shillings Revenue and Expenditure.[14]

Mogadishu Port

17. The single most important source of domestic revenue for the TFG is the Port of Mogadishu. The 2012 TFG budget framework accurately observes: "One of the most striking characteristics of the Somali tax system is its excessive reliance on customs duties from the few actively functioning and accessible ports and airports. Almost over 85 percent of the total government revenue consists of taxes on imports."[15] For FY2011, the Ministry of Finance reported revenue of US$16,813,462 from the port of Mogadishu, a figure quite close to the US$16,830,381 reported by the OAG.

18. There are two main basic types of revenue collected at the port: customs duty tax on imported and exported goods; and operational port fees and handling charges that mainly covers running costs and maintenance of the facilities. The revenues from the customs duty tax are collected by the Customs Department of the Ministry of Finance, which has a subsidiary office inside the port, and transferred directly to the Central Bank. The SEMG learned that the TFG is currently working on reforming the import tax system with a view to increasing custom revenues.[16]

19. Revenues from port fees (such as docking fees) and handling charges are controlled by the port management and cover operational costs such as salaries, power, and maintenance. The port administration is in charge of overall port operations and do not disclose its income to any financial institutions. The current Finance Minister informed the Monitoring Group that "the TFG does not know what is happening inside the port", and his Ministry is currently negotiating with the port authority in order to obtain a monthly lump sum estimated 30 per cent of the total port authority income. The Ministry of Finance would continue to collect the entire customs duty tax.[17]

Missing funds, missing information

20. A key enabler of corruption and misappropriation of public finances is the absence of reliable information. TFG revenue and expenditure records are not only incomplete, but also essentially

[14] World Bank, "World Bank Summary of Financial Diagnostic Assessment of "Audit Investigative Financial Report 2009-10", 30 May 2012.

[15] Transitional Federal Government, Ministry of Finance, "2011 Budget, Vol. 1: The Budget Framework", page 9.

[16] Interview with Dr. Abdinasir Abdulle, the TFG Minister of Finance, Mogadishu, 15 March 2012.

[17] Interview with Dr. Abdinasir Abdulle, TFG Minister of Finance, Mogadishu, 15 March 2012.

incoherent. Figures published by the Ministry of Finance and Office of the Accountant General are inconsistent, and neither set of books tallies with the TFG budget. Moreover, both institutions acknowledge that there is much information they do not receive.

The TFG 2011 Budget

21. In 2011, the TFG published its first official budget framework, including expected revenues, expenses and priorities. This budget -- the first and only financial document to date to have been endorsed by the Parliament -- estimated that revenues in 2011 would have reached US$29.9 million, but that reform of revenue collection systems, with special emphasis on reorganizing the tax authority, income could potentially increase in a number of ways:

i) Revenue from custom collection, which was estimated at US$ 20.4 million in 2010, could reach US$ 40 million;
ii) Sales tax receipts could reach US$ 7.0 million, from an estimated US$ 2.4 million in 2010;
iii) Excise tax would increase from US$ 2.8 million to US$ 10.0 million;
iv) Direct tax estimates would rise from US$ 1.4 million to US$ 5 million;
v) Non-tax receipts would increase to US$ 6 million.

22. The budgetary framework optimistically concluded: "The total revenue estimates are expected to reach US$ 63 million and to cover the major portion of the TFG recurrent expenditure."[18] In practice, TFG domestic revenues in 2011 increased by less than US$4.0 million.

Actual Revenue in 2011[19]

23. There exist serious discrepancies in recorded revenues, even within the TFG's own financial institutions. For FY 2011, the Ministry of Finance (MoFin) reported actual revenues of US$72,643,000 whereas the Accountant General (OAG) reported revenues of only US$55,482,997: a difference of US$17,160,003.

[18] Transitional Federal Government, Ministry of Finance, "2011 Budget, Vol. 1: The Budget Framework".
[19] The SEMG's analysis in this section is principally based on three documents: the TFG 2012 budget framework prepared in November 2011by the Ministry of Finance (in collaboration with the Horn Economic and Social Policy Institute (HESPI)), which at the time of writing had not yet been approved by Parliament; 2) the Accountant General's Annual Financial Report 2011, and; 3) the AIFR 2011 study.

Table 1: TFG 2011 Consolidated Income Assessment in USD

No	Description	FY 2011 Approved Revenue Budget[20]	FY 2011 Actual Revenue[21]	FY 2011 OAG Revenue	FY 2011 AIFR Revenue[22]
	Total Revenue	62,609,000	72,643,000	55,482,997	58,395,820
1	Domestic Revenue	29,909,000	23,805,000	24,102,860	23,494,956
1.1	Tax Revenue	26,979,000	17,112,000	17,512,487	18,967,435
	Direct Tax	1,418,000	218,000	2,106	
	Indirect Tax	25,561,000	16,894,000	17,510,381	18,967,435
1.2	Non-Tax Revenue	2,930,000	6,693,000	6,590,373	4,527,521
2	External Loan and Credit				
3	External Assistance	32,700,000	48,838,000	31,380,137	34,900,864
3.1	Bilateral Assistance	23,413,000	45,219,000	31,380,137	34,900,864
	Capital Grant		6,009,000	0	0
	U.S.A.		1,440,000		
	U.S.A.				
	Denmark		1,831,000		
	Spain		2,737,000		
	Germany				
	Security		12,410,000	0	0
	Italy		4,068,000		
	U.S.A.		8,342,000		
	Program Support		26,800,000	31,380,137	34,900,864
	Sudan		800,000		800,000
	Algeria		10,000,000	9,400,000	

[20] FY 2011 approved budget revenue was approved by the parliament and presented in the 2011 Budget, Vol. 1: The Budget Framework.

[21] FY 2011 Actual Revenue was estimated in November 2011. It does not take into consideration revenue generated in late November and December 2011. Interview with the TFG Deputy Finance Minster, Nairobi, 5 June 2012.

[22] Includes the US$3,600,000 confiscated money belonging to a piracy operation and deposited into the Central Bank of Somalia account in addition to a penalty fee of US$100,000. In addition, in his original report, Fartaag did not separate between the Indirect tax and Non-tax revenue. He used the 2011 TFG budget framework prepared in 2010 as a model of reporting. For the sake of comparison, the SEMG has allocated Fartaag's figures in Indirect Tax or Non-Tax revenue.

	China		1,000,000	940,000	
	UAE		15,000,000	5,081,156	34,100,864
	Iraq			3,051,281	
	Unknown			12,907,700	
3.2	Multilateral	15,887,000	3,619,000	0	0
	UNDP Administered Trust Fund for the Police	9,287,000	3,619,000		
	Multilateral (EU and Others)	6,600,000			

24. Part of this discrepancy might simply be explained by different bookkeeping practices applied by the two institutions and access to different streams of information. For example, the AOG does not have access to revenues obtained from multilateral assistance as well as part of the bilateral assistance such as capital grants and security assistance.[23] As a result, the AOG did not include US$6,009,000 obtained from capital grants, US$12,410,000 obtained in security assistance, or US$3,619,000 received in bilateral revenue (all itemised as bilateral assistance), which the Ministry of Finance had recorded as revenue. Had the OAG categorized these figures as revenue, the total would have risen to US$77,520,997.

25. Likewise, the MoFin figures for FY 2011 actual revenue were in fact estimated in November 2011, and do not take into consideration revenue generated in late November and December of that year.[24] This meant that the MoFin figures omitted a US$3,051,281 donation from the Government of Iraq, which would have brought the total to US$75,694,281. The discrepancy between MoFin and OAG totals would thus have narrowed to US$1,826,716, which could be partially reconciled if the MoFin were to include domestic revenues generated in late November and December 2011.

26. Similarly, the AIFR figures, though unofficial, fail to include US$6,009,000 obtained from capital grants, US$12,410,000 obtained in security assistance, and US$3,619,000 received in bilateral contributions. Had these been included, the AIFR would have reported total revenue of US$80,433,820: a difference of US$2,912,823 compared to the AOG figures, and US$4,739,539 in comparison with MoFin figures.

27. The books become harder to balance with respect to external assistance, whose management by TFG leaders is deliberately opaque. The MoFIN, for example, records a contribution from the UAE as US$15,000,000; the AOG reports the same income as only US$5,081,156. The Accountant General suspected that less than US$10,000,000 had been donated by the UAE, but could obtain no information from the TFG leadership, and records instead an unidentified income of US$10,261,700

[23] Interviews with Deputy Ministry of Finance and the Accountant General, Nairobi, June 2012.
[24] Interview with the TFG Deputy Finance Minster, Nairobi, 5 June 2012.

in its 2011 Annual Financial Report.[25] The Accountant General told to the SEMG that he did not officially know where the $US10,261,700 came from, so he decided to report it as domestic revenue but he suspects that it was actually external assistance.[26] The Monitoring Group has confirmed that the UAE donated US$10,000,000 to the Farmaajo administration and US$5,000,000 to the Abdiweli administration.[27]

28. Lastly, TFG PM Abdiweli Ali informed the SEMG that the US$15 million from the UAE had been wrongly reported. He noted that in 2011 the Farmaajo Administration had received US$10,000,000 from the UAE, but only deposited US$6,500,000 to the Central Bank, and that his administration had received US$5,000,000, which was entirely deposited into the Central Bank account.[28] The SEMG could not reach the Central Bank to confirm these claims and the Prime Minister could not understand why his Ministry of Finance had reported a higher amount than that registered by the Central Bank of Somalia.

Non-taxed revenues

29. In terms of non-taxed revenue, the TFG performed considerably better than budgeted. Non-tax revenues include: administrative charges, fees and penalties, airport and harbour fees, sales of public goods and services, visa charges and passports, and airports departures tax. However, income generated from such non-taxable goods is highly susceptible to diversion by corrupt officials, many of whom who have become highly sophisticated in concealing the misappropriation of financial resources. The Monitoring Group's investigation into revenues generated from the production of ePassport and National Identity Cards (see Annex 1.2), is illustrative of many similar schemes that result in TFG non-tax revenues being significantly under-reported – if they are reported at all.

Expenditure

TFG Outturn Expenses in 2011

30. Both the Ministry of Finance and the OAG provide poor quality reporting of TFG expenses. Not all expenses are registered, and the Monitoring Group has obtained evidence demonstrating how the Office of the President and successive Prime Ministers send letters to custom authorities requesting import tax exemptions for individual or companies that have provided services or goods to the TFG. These customs deductions are rarely registered, and in most cases payments are authorized without any registered proof of services rendered. It is the Monitoring Group's assessment that official expense reports are only generated as a paper exercise to reconcile and close the books.

[25] According to the Accountant General the external assistance of US$10,261,700 were reported as follow: US$1,461,700 in January 2011, US$2,040,000 in February 2011, $US5,960,000 in March 2011, and US$800,000 in April 2011.
[26] Phone interviews with the Accountant General, May 2012.
[27] Interviews with Deputy Ministry of Finance and the Accountant General, Nairobi, June 2012.
[28] Interview with Dr. Abduweli Mohamed Ali, Nairobi, 8 June 2012.

31. For example, in FY2011, the OAG's Annual Financial Report reported a total expenditure of US$55,436,027 (see table 2 below). As noted above, the OAG had reported an income of US$55,482,997. Thus, according to the AOG, the TFG should have recorded a surplus of US$46,969. Moreover, had the AOG reported a total income of US$77,520,997 (as described in paragraph 24 above), then the TFG should have registered a surplus of US$22,084,969.

Table 2: TFG Accountant General's Annual Expenditure Report 2011[29]

Expenses Source	Amount: Jan To June 2011	Amount: July to December 2011	Total Amount Annual
Office of the President	2,189,759	2,659,002	4,848,761
Office of the Speaker	1,219,316	947,845	2,167,161
Office of Prime Minister	3,364,607	2,271,358	5,635,965
Supreme & Judiciary Court	263,846	329,917	593,763
Immigration Department	67,000	0	67,000
Embassies	148,080	60,000	208,080
Mps	2,870,100	2,291,842	5,161,942
Ministries	5,751,325	9,632,026	15,383,351
National Security	7,441,454	5,976,175	13,417,629
Financial Institutions	214,648	451,295	665,943
Other Contingency	3,108,378	0	3,108,378
Constitutional Commissions & Bodies	128,000	200,367	328,367
Local Government	1,221,769	1,269,234	2,491,003
Bank Commission	579,674	529,986	1,109,660
Amal Bank Commission	172,400	76,626	249,026
Total:	**28,740,356**	**26,695,671**	**55,436,028**

32. Similarly, the Ministry of Finance reported a preliminary outturn expenditure of US$65.2 million for FY2011, (see table 3 below). However, as noted above, MoFin reported actual revenues of US$72,643,000 for the same period. The Ministry should therefore have registered at least a surplus of US$7,443,000. Had MoFin included the December 2011 contribution from Iraq, total revenues would have reached US$75,694,281 and the TFG should have reported a surplus of US$10,494,281.

33. The Monitoring Group could find no official record of the surpluses described above.

[29] Source: office of the TFG Accountant General.

Table 3: 2011 Expenditure Outturns by functional classification, (in Million USD)[30]

Functional Classification	2011 Approved Budget	2011 Preliminary Outturn	Outturn as Percentage of Budget
Admin and General Service	56.2	56.8	1.01
Economic Services	4.1	3.6	0.8
Social Services	2.6	1.5	0.6
Other	3.7	3.3	0.8
Total	**66.5**	**65.2**	**0.98**

Misappropriation of financial resources

34. In a context where institutions play 'fast and loose' with official figures, transactions often take place in cash, and controls are lax or non-existent, it should be no surprise that corruption runs rampant. However, the Monitoring Group's investigations have revealed that the TFG is less the victim of corrupt interests than a set of institutions that has been hijacked by political and commercial 'elites' for corrupt purposes. Many TFG officials make no distinction between public and private finances, and treat financial rules and institutions as obstacles to be circumvented or disregarded.

Assistance to the Somalia National Security Agency from the Government of Oman

35. In April 2009, General Mohamed Sheikh Hassan was appointed director general of the Somali National Security Agency (NSAA), the agency responsible for intelligence collection and analysis, counter-terrorism and immigration. Upon taking office, he learned that his predecessor, General Mohamed Warsame Farah "Darawiish", had secured US$3 million in security assistance from the Government of Oman, and decided to request a second contribution from Oman.

36. General Darawiish confirmed to the Monitoring Group that the Government of Oman had previously provided US$3 million in security assistance to the NSA and stated that the funds had been used to pay salaries to the Somali security forces, as well as to purchase rations and basic equipment.[31] However, a former NSA official told the Monitoring Group that a dispute had arisen between former President Abdillahi Yusuf and former PM Nur Hassan Hussein 'Adde' over the allocation of the Omani funds: the PM wanted the money to be deposited into the Central Bank of

[30] Source: Transitional Federal Government, Ministry of Finance, "2012 Budget, Vol. 1: The Budget Framework".
[31] Interview with General Darwiish, Nairobi, 29 May 2012.

Somalia account, but the President and General Darawiish had disagreed.[32] According to the official: "The money simply disappeared and was never accounted for."[33]

37. In March 2010, Mohamed Sheikh succeeded in obtaining a meeting with his Omani counterpart. The meeting was arranged by the Somali Ambassador to Oman, Hassan Mohamed Siyad (the son of the late Somali President Mohamed Siyad Barre), as well as a Somali-Omani intermediary.[34]

38. Before leaving for Oman, Mohamed Sheikh informed Sharif Hassan, then Minister of Finance, about his planned travel to Oman and his intention to ask for security assistance. Sharif Hassan in turn informed President Sharif about the General's plan, and both approved his mission.[35] Per the General's request, the President wrote a formal letter to Oman's Sultan Qaboos bin Said Al Said, detailing the plight of the Somali people and welcoming any security or financial assistance.[36]

39. In March 2010, a five-member TFG delegation headed by Mohamed Sheikh travelled to Oman and met with the director of the Omani Internal Security Service (ISS). During that meeting, Mohamed Sheikh presented the President's letter together with an official request for assistance for the NSA, including funds for vehicles (Land Cruiser) and generators.

40. Several weeks after his return to Somalia, Mohamed Sheikh received a call from the ISS Director's assistant, informing him that the Sultan had agreed to make a contribution to the NSA. The assistant requested the name of a TFG payee's who could endorse a cheque.

41. Mohamed Sheikh directly contacted Finance Minister Sharif Hassan, who was then with the President in the UK. The Finance Minister instructed the General to contact Price Waterhouse Coopers (PWC) to enquire about the TFG swift account information, indicating that the Omani funds should be paid into the TFG's account.[37] Upon transmitting the account information to the Government of Oman, Mohamed Sheikh was informed that the total amount of the contribution was to be US$3 Million.[38]

42. Several weeks later, the Omani official again contacted Mohamed Sheikh to inform him that the Omani Agency was having difficulties arranging an electronic funds transfer, and suggested that a TFG official instead travel to Oman to pick up a cheque.[39] As Minister of Finance, Sharif Hassan decided to make the journey, but for administrative reasons the venue of the meeting was changed to Dubai.[40]

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[32] Interview with a former official from the NSA, Nairobi, May 2012.
[33] Interview with a former official from the NSA, Nairobi, May 2012.
[34] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.
[5] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.
[36] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.
[37] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012; interview with a former senior advisor to the TFG finance minister Sharif Hassan, 22 May 2012In July 2009, the TFG contracted PWC to help insure that Donors' funds are spent correctly; "Somalia appoints accountancy firm", BBC News, 8 July 2009, accessed online on 7 June 2012, http://news.bbc.co.uk/2/hi/8140165.stm.
[38] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.
[39] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.
[40] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.

43. While in the UAE, the Sharif Hassan attempted to open a new bank account for the TFG into which to deposit the funds. He was unsuccessful, so instead asked Ambassador Abdulkadir Sheikhey Al-Hatimi (then General Consul of the TFG in Dubai and Northern Emirates) to endorse and deposit the cheque into the bank account of the Consul General of the Federal Republic of Somalia (see Attachment 1.1.a).[41] According to Mohamed Sheikh: "It took weeks to process the cheque and TFG officials forgot to wire the money to the PWC account."[42]

44. When the anticipated funds failed to arrive, Mohamed Sheikh contacted Sharif Hassan repeatedly to inquire about his "share". The General confirmed to the Monitoring Group that he had asked for his agency's "share" as well as for a small personal amount to cover the expenses he had incurred while on his mission to Oman.[43] He claimed that he eventually received only US$10,000 from Sharif Hassan, which he believed originated from a different source.[44]

45. According to some former TFG officials, the Omani funds were ultimately distributed between President Sharif, Finance Minister Sharif Hassan, and Prime Minister Sharmarke.[45] Sharmarke told the Monitoring Group that both his office and the President's Office had each received US$100,000, which he suspected to have come from the Omani donation. Although he acknowledged having been aware of the Omani contribution, he claimed not to know how it had been spent.[46]

46. Ambassador Abdulkadir Sheikhey Al-Hatimi informed the SEMG that he had disbursed the US$3 million as follows:

i) US$1.2 million to the Dubai based A.S.M.J General Trading (L.L.C.);[47]
ii) US$150,000 to Jubba Airways Cargo for previous cargo service provided to the TFG;
iii) US$1,650,000 transferred through a money remittance company to Sharif Hassan, the then Minister of Finance in Mogadishu.[48]

47. Although Ambassador Sheikhey provided documentation to substantiate the payment to A.S.M.J., and the Monitoring Group is aware that the TFG contracts Jubba Airways for cargo services. The payment to Sharif Hassan however, remains unaccounted for. The Office of the Accountant General confirmed to the Monitoring Group that the Minister of Finance had reported no external assistance or revenue originating from Oman, stating: "[This assistance] has not passed through the state treasury system yet, and as the Accountant General of the state I have not seen it either."[49]

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[41] The Check of US$3million was deposited on 7 April 2009, in the Dubai Bank account number 020-102208-0210 held by the Consul General of the Federal Republic of Somalia.
[42] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.
[43] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.
[44] Interview with General Mohamed Sheikh Hassan, Nairobi, 24 May 2012.
[45] Interview with a former TFG security officials, Nairobi, May 2012.
[46] Interview with former TFG PM sharmarke, Nairobi, 6 June 2012.
[47] A.S.M.J General Trading (L.L.C.) was registered in the Dubai Chamber of Commerce and Industry on 10 June 2008. Its Dubai license number is 612221. ASMJ listed shareholders are Yehya Mohamad Hussain Ahmad Al Jaziri from the UAE, Abbas Shaikh Mohamad Jamalo from Kenya, and Abdibari Ali Shing Hussain from the U.K.
[48] Email communication with Ambassador Sheikhey on 26 May 2012.
[49] Email received from the TFG Accountant General, 31 May 2012.

Private management of public funds

Abbas Sheikh Mohamed and Yuusuf Sheikh Mohamed

48. The case of the Omani contribution is also illustrative of the commingling of public and private interests that characterizes the TFG's finances, and the way that public funds are routinely entrusted to private individuals for transmission via informal channels. This of course complicates the task of tracking funds, and creates opportunities for diversion, fraud and laundering to occur.

49. One of the recipients of Omani funds identified by Ambassador Sheikhey was A.S.M.J General Trading, a company managed by Abbas Sheikh Mohamed 'Jamalo' (also spelt Jimale), a Dubai based Kenyan-Somali businessman and close clan relation of President Sheikh Sharif (Hawiye/Abgaal/Harti/Agoonyar). According to current and former TFG officials, Abbas routinely advances funds to the TFG, and provides meticulous accounts when he wants reimbursement.[50] One of his primary services has been the provision of dry food and daily subsistence to the TFG security forces.[51]

50. Abbas Sheikh Mohamed is the brother of Yuusuf Sheikh Mohamed who owns Daljir Trading and General Service. Daljir also acts as a contractor for the TFG Ministry of Defence and is registered with the TFG Ministry of General Works and Housing. Other alleged shareholders of Daljir are Sayid Ali Ma'alim Abdulle, the current manager of Mogadishu port, and his brother Mohamud Moalim Abdulle.[52] According to multiple credible Somali sources, including TFG officials, Abbas and Yuusuf work very closely together, managing "the president's money" and collecting contributions from Arab countries on behalf of the President.[53]

51. Like A.S.M.J., Daljir has been contracted by the TFG Ministry of Defence to provide foodstuffs to TFG security forces.[54] On 3 April 2010, Daljir Trading submitted an invoice of US$1,965,000 to PM Sharmarke for having supplied TFG forces with dry food and daily subsistence.[55]

SKA Air & Logistics

52. On 28 June 2010, SKA Air & Logistics signed a management services contract for Mogadishu International Airport with the TFG. SKA President Mike Douglas informed Ambassador Sheikhey that, in accordance with a prior agreement with the former TFG PM, the company would deposit US$1 million into the bank account of the TFG Consulate General in Dubai on or before 1 July 2010.[56]

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[50] Interview with current and former TFG officials, Nairobi, May 2012.
[51] Interview with Ambassador Sheikhey and several Dubai based Somali businessmen, May 2012.
[52] Siyed Ali was mentioned in S/2011/433 para 72.
[53] Interviews with Dubai and Kenya based Somali businessmen and high level TFG officials, Nairobi, April, May and June 2012.
[54] See Attachment 1.1.b, Agreement between Daljir and the Ministry of Defense, signed on 16 November 2009.
[55] See Attachment 1.1.c, letter from Daljir's chairman Yussuf Sr. Mohamed to former TFG PM Sharmarke, dated 3 April 2010.
[56] See Attachment 1.1.d, letter sent from Mike Douglas to Ambassador Sheikhey on 28 June 2010.

53. Sheikhey confirmed to the Monitoring Group that SKA deposited the US$1 million into the Consulate bank account – the same account into which the Omani funds had been deposited. The funds were then disbursed as follows:

i. AED 3 million (approx. US$220,000) to partially reimburse A.S.M.J General Trading (see above and attachment 1.1.e);
ii. US$150,000 to reimburse Abdirazak Ido for a previous loan to the TFG in Djibouti;[57]
iii. US$30,000 paid for the President and Prime Minister's travel expenses;
iv. US$600,000 deposited at the Central Bank of Somalia.

54. According to Sheikhey, the US$600,000 destined for the Central Bank were transferred to Abbas Sheikh Mohamed, who then arranged for their delivery in Mogadishu via three transactions:

i. US$500,000 deposited by M/Cali Xassan Tuacow on 14 July 2010 (US$10,000 paid as Bank Commission);
ii. US$95,000 deposited by Sheikh Ahmed Jimale on 25 July 2010;
iii. US$5,000 deposited by M/Cali Xassan Tuacow on 26 July 2010.[58]

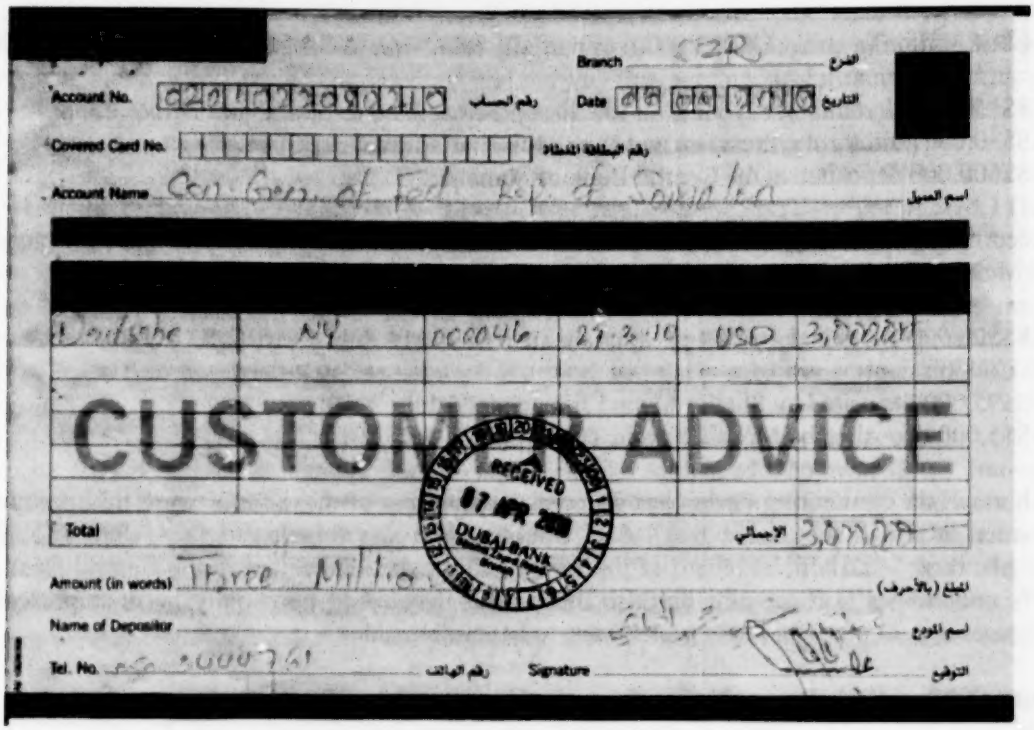
55. Although the Monitoring Group has no evidence that any of these funds were misappropriated, the manner in which they were handled is troubling. Having transferred these funds to private individuals, there is no official record of the funds' origin when deposited in the Central Bank. This not only undermines transparency, but also means that they could potentially be misrepresented at some future stage as personal loans, which have to be reimbursed.

Assistance to Somalia's Reconciliation from the Government of South Sudan

56. In early 2012, South Sudan donated, through Price Waterhouse Coopers, US$1 million to support TFG reconciliation efforts in Somalia's newly liberated areas. A senior TFG official confirmed to the SEMG that the TFG did indeed receive the US$1 million from South Sudan.[59] According to internal TFG documents obtained by the SEMG, the PM instructed the Finance Ministry to disburse the funds directly to individual government officials, MPs and political figures, including US$121,700 to his own office. No further information is available as to what these individuals did with the money, or whether any of these funds were in fact spent on reconciliation efforts.

[57] Abdirizak Ido is the president of NationLink Telecom, a Somali based telecommunication Company. phone interview with Ambassador Sheikhey on 8 June 2012.
[58] Interview with Ambassador Sheikhey, Dubai, 26 January 2012, and Attachment 1.1.f, Central Bank of Somalia deposit slips.
[59] Footnote: communication from a senior TFG official, June 2012.

Annex 1.1.a.: Oman security assistance to TFG National Security Agency cheque deposit slip dated 7 April 2010



Annex 1.1.b.: Agreement between Daljir and the Ministry of Defense, signed on 16 November 2009

Dowladda Federaalka KMG Ee
Jamhuuriyadda Soomaaliya
Wasaaradda Gaashaandhigga

الحكومة الانتقالية الفيدرالية
لجمهوريه الصومال
وزارة الدفاع

Transitional Federal Government of the Somali Republic
Ministry of Defense

RE: WG/ 30/09 Date: 12/11/09

Ujeeddo : **Heshiis Qandaraas Sahaysiin Ciidanka XDS**

Maanta oo ay Taariikhdu tahay 12/11/09, wuxuu Heshiiska ay qodobadiisu hoos ku qoranyihiin dhexmaray:

1- Wasaaradda Gaashaandhigga Dowladda FKMG Soomaaliya iyo
2- Shirkadda Daljir ee Ganacsiga & Adeega Guud

Heshiiska qodobadiisu waa kuwa hoos ku taxan :-

Qodobka 1aad: waxayaabaha laga rabo Ganacsadaha

1- Ganacsadaha Heshiiska galay wuxuu Bilkasta 13keeda & 27keeda Madaxa Hoggaanka Saadka XDS ku wareejinayaa Badeecadda uu Taliska XDS soo weydiisto (Dalbado), kadib marka uu helo lifaaqa Oggolaanshaha Wasaaradda Gaashaandhigga.
2- Badeecadda uu Ganacsaduhu bixinayo waa iney ahaato mid taya ahaan & Caafimaad ahaanba ku habboon isticmaalka aadanaha
3- Haddii Badeecdda Ganacsaduhu bixiyo ay ka timaado cillad reebeysa in taisticmaalikaro wuu soo beddelayaa.
4-Ganacsaduhu wuxuu Mas'uul ka yahay inuu Ciidanku ka kala go'in Saadka ay u baahan Yihiin, lagana dalbaday, kuna keeno waqtiga loo qabtay.
5-Qiimaha Badeecadu waan in ay markasta ahaato mid la socota sicirka Suuqa Waxaa raacaya kharashka adeegga iyo faa'iidada Shirkadda oo aan ka badnayn 15%

Qodobka 2aad:Qaansheegta & bixinta Lacagta

1- Qaansheegadka ay ku qorantahay Qiimaha Badeecadda uu ganacsaduhu ku wareejiyay Hoggaanka Saadka wuxuu Bishiiba mar ku soo weydiisanayaa Wasaaradda Gaashaandhigga oo kadib marka ay ku qanacdo Lacagta ku bixineysa Muddo 10 Maalmood gudahooda oo laga bilaabo maalinta Qaansheegadta soo gaarto
2- Qaansheegadku waa in ay ku lifaaqanyihiin Dokomentigan.

Office of the Ministry, Mogadishu Somalia Tell: +2521-240746, + 252-5-922323, Mobiles 2521-5565746/+2525-433750 Fax: +252-1- 241196
E-mail: defence.somali@yahoo.com/ defencesomali@gmail.com/ somali.r@yahoo.com

i) Nuqul asala ah ee Warqadda Gudoonka Badeecada oo uu saxiixay Mas'uulka la wareegay Badeecadda, uuna oggolaaday Abbaanduulaha Guud ee XDS, & Warqadda Dalabka Wasaaradda.

ii) Nuqul ka mid ah Heshiiskan.

3- Cidkasta oo ka mid ah dhinacyada uu Heshiiska khuseeyo waxay Mas'uul ka Tahay wixii dib u dhac ah ee ka yimaada dhankeed.

Qodobka 3aad: Muddada Heshiiska

1- Muddada Heshiisku waa 3(Saddex)Bilood (90)Maalmood,oo laga bilaabo 16/11/09, waana la cusbooneysiin karaa haddii loo baahdo layskuna afgarto.

Qodobka 4aad: Xallinta Khilaafka ka dhasha Heshiiskan.

1- wixii khilaaf ah ee ka dhex dhasha dhinacyada uu Heshiisku khuseeyo ee la xiriira Heshiiskan, waxaa lagu dhameynayaa wada hadal & isla oggolaansho dhinacyada.

Qodobka 5aad: Ka bixida Heshiiska

1- Heshiiska wuu ka bixi karaa dhinacyada midkood, hadii uu sidaas Go'aansado, hase yeeshee waa in uu dhinaca kale la socodsiyaa 10(Toban) Maalmood ka hor, soona raaciyaa sababta ka bixidda.

Qodobka 6aad: Dhaqangalka Heshiiska

1-Heshiiska wuxuu dhaqangalayaa 16/11/09.

Saxiixa Dhinacyada

Xoghaya Joogtadda W/Gaashaandhigga
Samaan Maxamed Sh.Daahir

Madaxa Shirkadda
Yuusuf Sh. Maxamed Jimcaale

Waa Oggolaaday
Wasiirka Gaashaandhigga
Cabdalla Boss Axmed

Office of the Ministry, Mogadishu Somalia Tell: +2521-240746, + 252-5-922323, Mobiles 2521-5565746/+2525-433750 Fax: +252-1- 241196
E-mail: defenceoffice@hotmail.com defenceoffice@gmail.com

Annex 1.1.c.: Letter from Daljir's chairman Yussuf Sr. Mohamed to former TFG PM Sharmarke, dated 3 April 2010

DALJIR TRADING AND GENERAL SERVICE

SHIRKADA GANACSIGA IYO ADEEGA GUUD EE DALJIR

شركة دلجر للتجارة و الخدمات العامة

Ref/DJ_JR/0105 DATE-03/04/2010

To: Prime Minister of TFG Somalia, Muqdishu
Cc: Minister of Finance

Re: Invoice

Excellencies;

As per your advice, We started supplying all forces of the Transitional Federal Government of Somalia dry food and daily subsistence and as of today we would like to be paid for the money we already spent on the aforementioned matter.

Following is some expenses that were incurred by our company during the period of Sebtember-16/2009 to March 31, 2010. Currency used is U.S $.

1,965,000 [one million nine hundred and sixty five thousand dollar only]

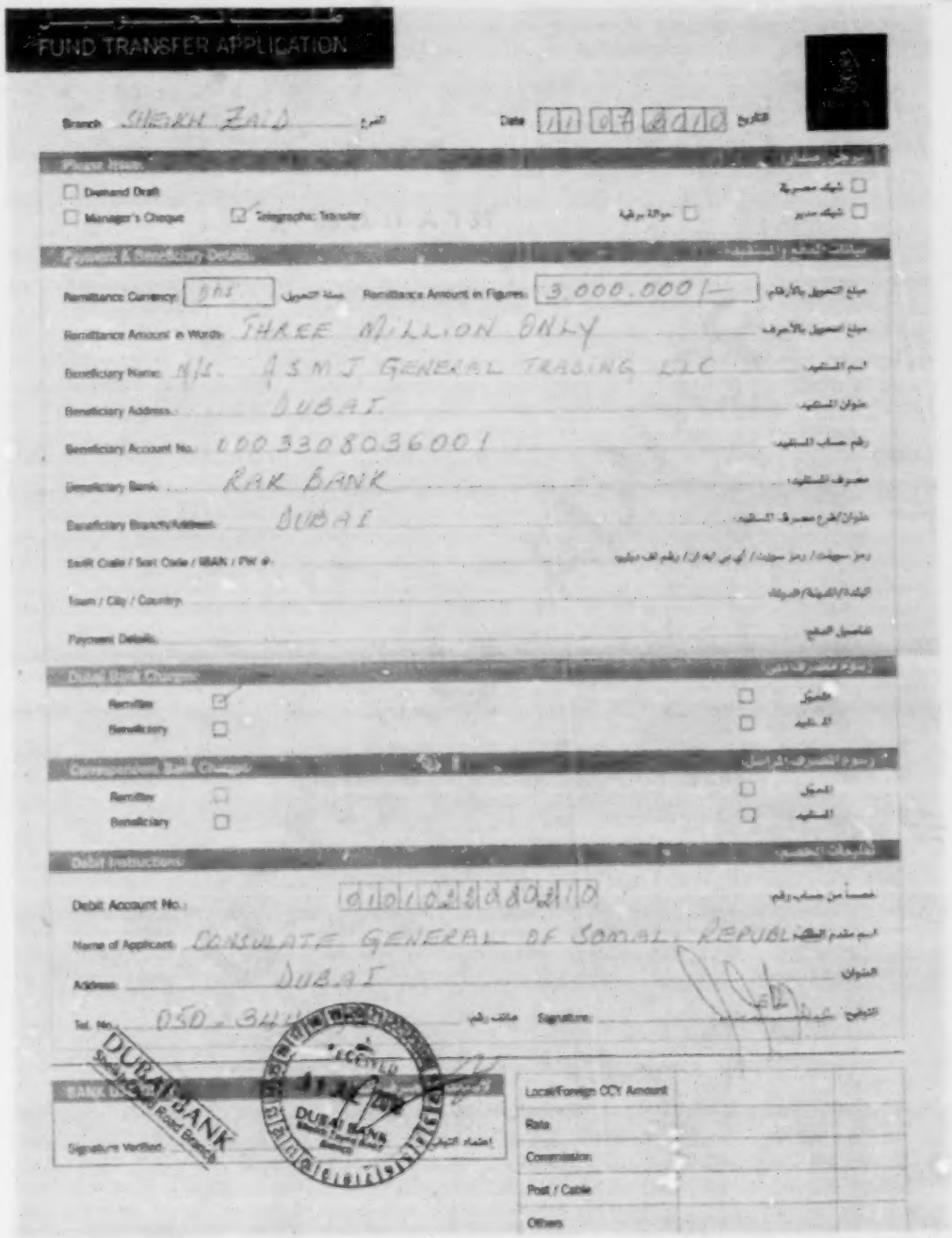
Kindly, give your highest consideration to this matter

YUSSUF SH. MOHAMED
Chairman of Daljir Trading and General Service

DALJIR TRADING & GENERAL SERVICE, TEL: + 2521-5913727/+2525/0-774444/+2521-5894868/+254-733757870; daljir1@hotmail.com

Annex 1.1.d.: Letter sent from Mike Douglas to Ambassador Sheikhey on 28 June 2010

Annex 1.1.e.: Dubai Consulate payment of AED 3 million to A.S.M.J. General Trading (L.L.C.)



FUND TRANSFER APPLICATION

Branch: SHEIKH ZAID Date: 11 07 2010

Please Issue:
- ☐ Demand Draft
- ☐ Manager's Cheque
- ☑ Telegraphic Transfer
- ☐ Pay Order
- ☐ Mail Transfer

Payment & Beneficiary Details:

Remittance Currency: AED Remittance Amount in Figures: 3,000,000/-

Remittance Amount in Words: THREE MILLION ONLY

Beneficiary Name: M/S. A S M J GENERAL TRADING LLC

Beneficiary Address: DUBAI

Beneficiary Account No.: 0003308036001

Beneficiary Bank: RAK BANK

Beneficiary Branch/Address: DUBAI

Swift Code / Sort Code / IBAN / PW #:

Town / City / Country:

Payment Details:

Dubai Bank Charges:
- Remitter ☑
- Beneficiary ☐

Correspondent Bank Charges:
- Remitter ☐
- Beneficiary ☐

Debit Instructions:

Debit Account No.: 0101022020210

Name of Applicant: CONSULATE GENERAL OF SOMALI REPUBLIC

Address: DUBAI

Tel. No.: 050-3[illegible] Signature:

DUBAI BANK Sheikh Zayed Road Branch

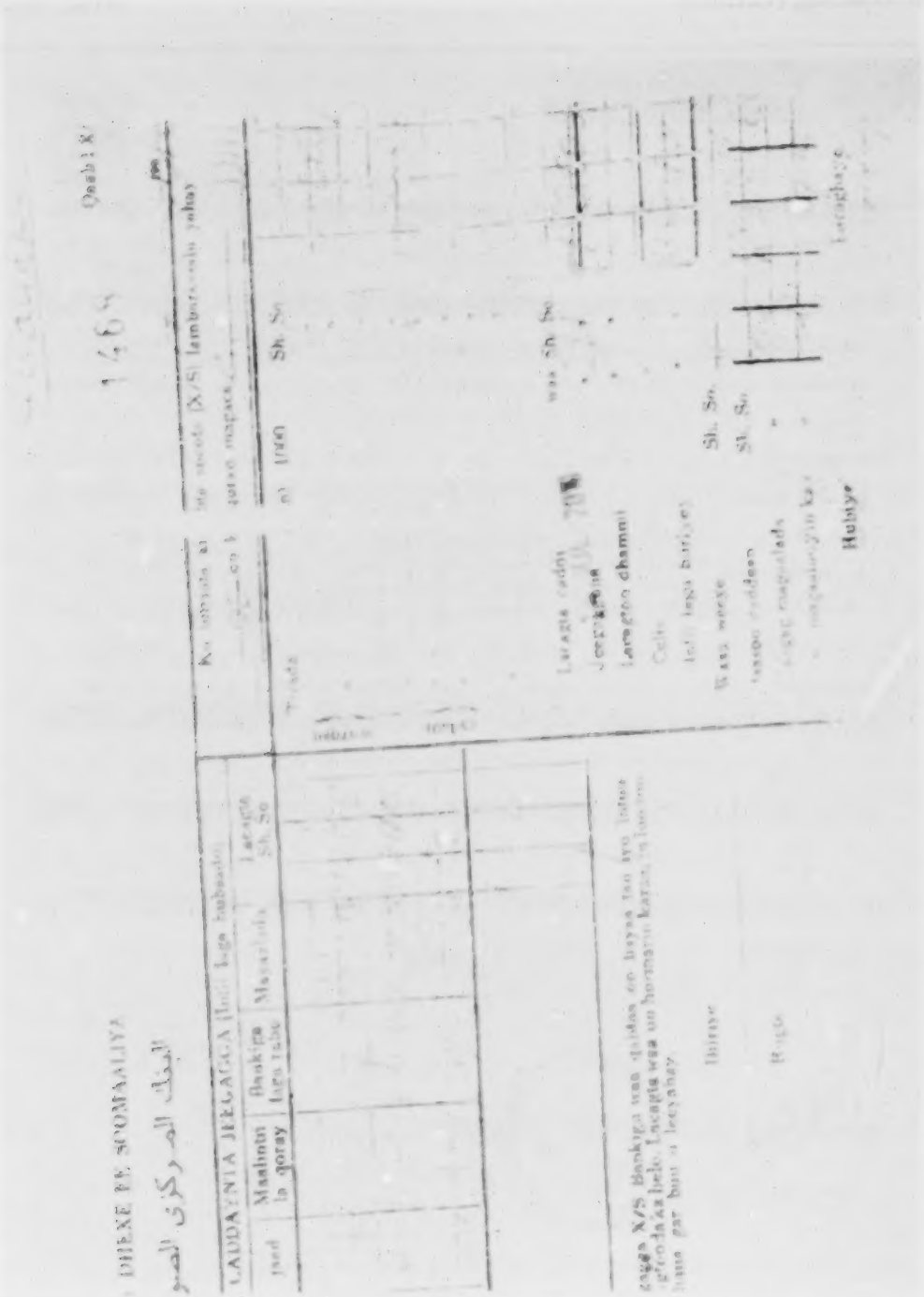
DUBAI BANK Sheikh Zayed Road Branch

BANK USE ONLY

Signature Verified

Local/Foreign CCY Amount	
Rate	
Commission	
Post / Cable	
Others	

Annex 1.1.f.: Central Bank of Somalia deposit slips



BANKIGA DHEXE EE SOOMAALIYA

البنك المركزي الصومالي

05316

Qaab 1 X/S

23/12/2010

CB3

CADDAYNTA JEEGACGA (Isticmaalaha)

Lambar	Jaad	Maalintii la qoray	Bankiga lagu raabo	Magaalada	Lacagta Sh. So
Hooka		Kaamil			
Cadjiil		Warsan			
Shine		Isaac			

Jeegagga X/S Bankiga waa qabtee oo kaydsan tan iyo intuu laga furo ka hoos. Lacagta waa in la bixiyaa laba maalmood gudahood ka dib markii la soo gudbiyo.

Bixiye

Saxiix

Ku biirinta jeegagga X/S [X/S] lambarkeedu yahay

Tirada (min 100)

Lacagta caddi was Sh. So.

Jeegagguna

Lacagtoo dhammi

Celis

Intii lagu biliyey

Wasa waaye Sh. So.

Haraagaa caddaan Sh. So.

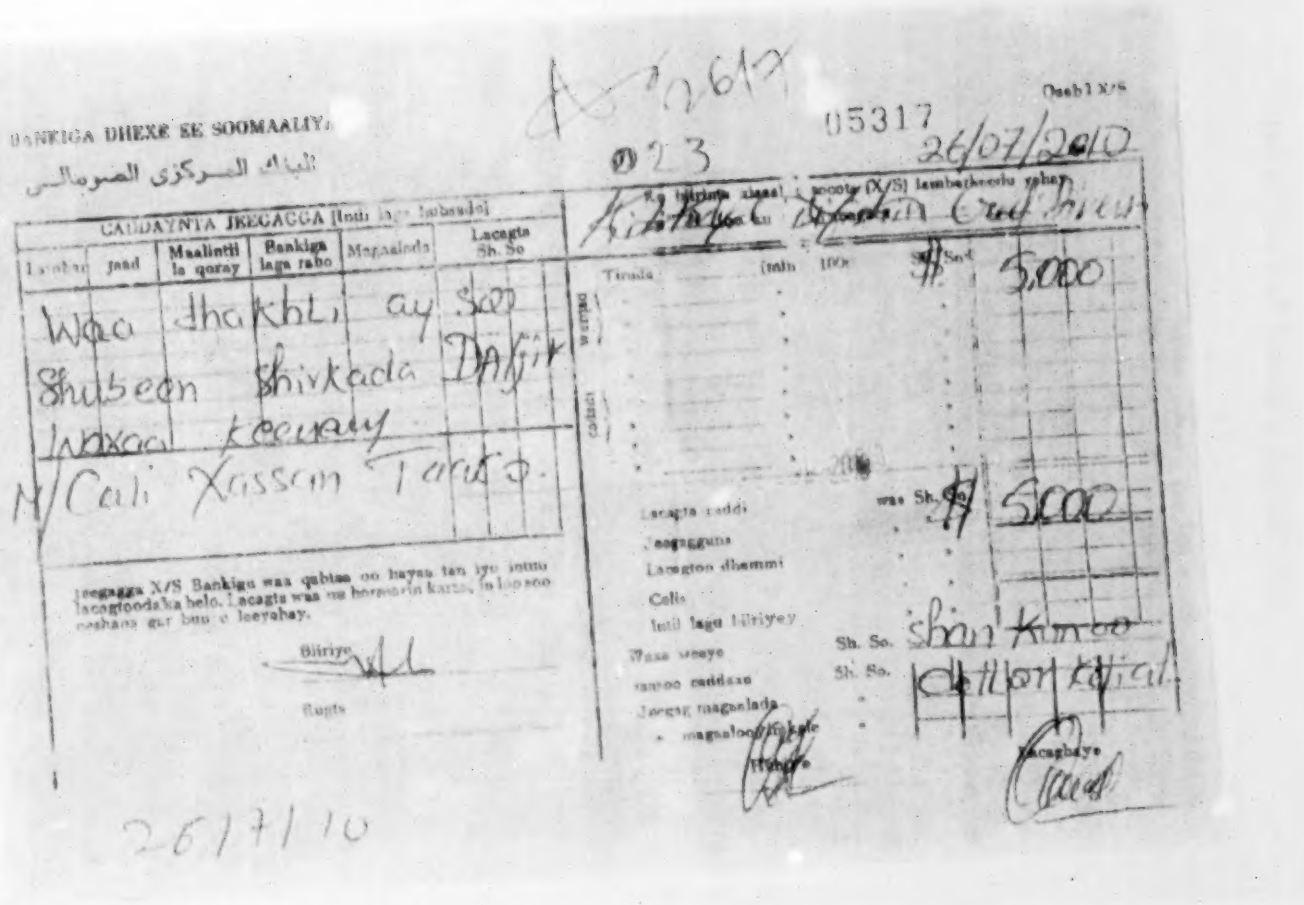
Jeegagga magaalada

" magaalooyin kale

Hubiye

Laceybaye

23 JUL 2010



BANKIGA DHEXE EE SOOMAALIYA
البنك المركزي الصومالي

Osbl X/S

05317

26/07/2010

CAWAYNTA JKECACCA [Inuu lagu lasbaadlo]

Lambarka jaad	Maalintii la qoray	Bankiga lagu yaboo	Magaalada	Lacagta Sh. So
Waa	thakhti	ay	Soo	
Shubeen	Shirkada	Dahsiir		
Waxaa	keenay			
M/Cali Xassan Farah				

Lacagga X/S Bankigu waa qubtaa oo hayaa ilaa iyo inta lacagtooda la helo. Lacagta waa in horaantii kartaa, la iibsado ama shaqo gu' buuxo loo yahay.

Saxiixa

Qaybta

Tirada (inta) 100s $ 5,000

Lacagta raddi

Laacgeyaasha

Lacagtoo dhammi

Cello

Intii lagu liiriyey

Waxa weeye

Sh. So. shan kun oo

Sh. So. dhiman kafiral

Lacagtaye

26/7/10

Annex 1.2.: Passport production, corruption and fraud

1. The absence of effective central government for more than two decades has deprived Somalis of the most fundamental privileges of citizenship, including a valid national travel document. The lack of a widely accepted passport has – among other deleterious effects - handicapped Somalia's highly mobile, transnational business community, and contributed to the exodus of Somalis from their homeland in the pursuit of alternative citizenship and the advantages it implies – including a foreign passport.

2. Successive interim Somali governments have sought to introduce new passport for a variety of reasons. In addition to responding to a genuine need, the introduction of a new Somali passport has been perceived by transitional administrations as a symbol of legitimacy, as well as an instrument of political leverage vis-à-vis other Somali authorities and factions. Such a combination of motives induced the TFG to introduce a new Somali passport in 2006, but the Monitoring Group has learned that dishonest government officials and businessmen have neatly transformed an ostensibly noble objective into a corrupt money-making scheme characterized by misappropriation of public funds, fraud and potential threats to regional and international security.

Background and context

3. On 19 October 2006, the TFG issued a contract for the production and supply of 'New Advanced Biometric Somali Passports' and National identity Cards to Just Solution Limited (JSL), a limited liability company incorporated in Seychelles with offices in Sharjah Airport Free Zone, United Arab Emirates.[60] According to former TFG PM Geedi, the Somali biometric passport was introduced by the TFG as a symbol of national reconciliation and to curb the forged production of non-biometric passport -- also known as green passport -- introduced by the Barre regime.[61] The Council of Ministers and the President endorsed the contract before the TFG signed the agreement.[62]

4. Under the terms of the agreement, the TFG was mainly responsible for:

i) appointing a Senior Committee to oversee the management of the project and with full authority and responsibility to deal with all communication with JSL;
ii) appointing the teams for the data collection centres (also known as enrolment centres) inside and outside Somalia;
iii) issuing application forms to all applying citizens;
iv) verifying, checking and approving the applications forms and submitting them to JSL for printing and personalization in electronic format;
v) inputting data into the passport and identity card systems;

[60] Just Solution Limited official website: http://www.justsolutionsltd.com/index.php.
[61] In 2004, The Monitoring Group has already reported about forged passports used as a source of revenue for violators of the arms embargo, S/2004/604 page 25. Interview with former PM TFG Geedi, Nairobi, 26 May 2012.
[62] According to PM Geedi, "the TFG referred to the 1960 Constitution for endorsing the project because the TFG Charter did not address this particular issue." Under the 1960 Constitution, the Council of Minister has the sole authority to approve such contract.

vi) verifying that payments received from the applicants are deposited into designated bank accounts and are transferred by standing order into the account of Just Solution Limited.

The TFG would also establish an 'approval centre' in Nairobi, under the authority of the TFG Chief of Immigration, General Gaafow, that would have sole authority for vetting and approval of each passport application.

JSL was mainly responsible for:

i) implementing the passport and identity card system, and equipping each data input centre with five personal computers, two laptops, two digital finger scanners, two digital cameras, two laser jet printers and one photocopier;
ii) receiving approved application forms from an authorized department of the TFG;
iii) verifying payment received in the designated bank account of JSL;
iv) verifying data input by the passport department from various sources;
v) producing passports and identity cards (the passport production centre was established in Sharjah Airport Free Zone);
vi) delivering printed passports and identity cards to the authorized representatives of the TFG;
vii) financing the project including the data collection equipment.[63]

5. Both parties initially agreed that the fees payable to JSL were to be US$49 per passport for all applications received within Somalia and US$70 per passport for all applications received outside Somalia. In addition, a non-refundable surcharge of US$20 would be levied on all 'express' passport applications.[64] JSL later agreed to charge only US$49 for all applications, inside and outside Somalia.[65]

6. The TFG would charge a fee of US$150 for each passport and electronic national identity card for Somalis residing outside Somalia and, US$100 for Somalis residing within Somalia.[66] In mid-2009, the TFG decided to lower the fees to US$100 per passport and electronic national identity card for Somalis residing outside Somalia and, US$80 for Somalis residing within Somalia.[67]

7. JSL agreed to invest US$411,000 as an advance loan against implementation of the project, on condition that JSL would receive the full amount charged by the TFG for each passport application

[63] See Attachement 1.2.a,E-Passport and National Identification Card Project Contract Between the Transitional Federal Government of the Somali Republic and Just Solution Limited. The agreement was signed on behalf of the Prime Minister Ali Mohamed Geedi by Hassan Ahmed Jaama, Deputy Minister of Foreign Affairs and International Cooperation and, General Abdullahi Gaafow Mohamud, Director of Immigration and Naturalization and, on behalf of JSL by Sanjivan Sunilkumar Mukherjee (also known as Sanjiv), chairman of JSL and, Jyoti Sanjivan Mukherjee, Director of JSL.
[64] See Attachment 1.2.a, E-Passport and National Identification Card Project Contract Between the Transitional Federal Government of the Somali Republic and Just Solution Limited.
[65] Interview with Sanjivan Mukherjee, Nairobi, 17 May 2012.
[66] Interview with Lt. Col. Abdi Yusuf Jibril, Former Deputy Director of Immigration and Naturalization, Minneapolis, 27 January 2012, and, interviews with Mr. Sanjivan Mukherjee, Nairobi, 21 December 2011 and, 6 January 2012.
[67] Interview with a TFG official with close knowledge of the passport project, Nairobi, 17 May 2012.

until the entire advance had been recovered.[68] In fact, in a letter sent to General Gaafow and Hassan Ahmed Jaama on 27 December 2006, Mr. Mukherjee agreed to advance an additional loan of US$200,000 to the TFG in addition to the previously paid loan of US$211,000.[69] General Gaafow and Hassan Jaama received and accepted the terms of the above-mentioned letter. Payments were made in different forms to various creditors:

i) in December 2005, JSL deposited a first cheque in the amount of US$200,000 to the TFG-office of Prime Minister Geedi's bank account, held in the Commercial Bank of Africa in Nairobi (Account No. 25006038);[70]

ii) in November 2006, JSL paid US$11,000 in cash to "assist the government in paying salaries for its staff at the Nairobi enrolment centre";

iii) on 28 December 2006, JSL paid US$150,000 in cash to General Abdullahi Gaafow Mohamud, Director of Immigration and Naturalization;

iv) on 8 February 2007, JSL paid US$40,500 in cash to Hassan Ahmed Jaama, Deputy Minister of Foreign Affairs and International Cooperation;

v) an additional amount of US$9,500 was paid for TFG official travel expenses.[71]

8. The first passport was issued in March 2007. However, within several months, the project began to face significant problems, as both parties accused the other of not meeting their obligations. According to TFG officials involved in the project, JSL has failed to fulfil its obligations toward the production of Somali ePassports by not delivering - or delaying the delivery - of passports to enrolment centres and embassies as well as by not opening more enrolment centres in Somalia, and at embassies abroad.[72] JSL's chairman, on the other hand, alleged corruption on the part of TFG officials and claimed that:

- the TFG did not repay the initial loan of US$411,000;[73]
- the TFG was not remitting the full amount from each passport, retaining funds that it owed JSL;
- the TFG had failed to meet its financial obligations related to the project and;

[68] See Attachment 1.2.b, letter from JSL to General Gaafow dated 27 December 2006.

[69] See Attachment 1.2.b, letter from JSL to General Gaafow dated 27 December 2006.

[70] Former TFG PM Geedi acknowledged the receipt of the US$200,000 and noted that it was initially agreed that the funds would be used for other TFG expenses (such as salaries) and to refurbish the airstrip in Baidoa. Interviews with PM Geedi and Sanjiv Mukherjee, Nairobi, 29 May 2012.

[71] See Attachment 1.2.b, letter from JSL to General Gaafow dated 27 December 2006, and interviews with Mr. Sanjivan Mukherjee, chairman of Just Solution Limited, Nairobi, 21 December 2011 and, 6 January 2012. The SEMG has also obtained a payment receipt of US$150,000 signed by General Gaafow on 28 December 2006, and payment receipt of US$40,500 signed by Hassan Jaama on 8 February 2007 (See Attachment 1.2.c).

[72] Interview with General Gaafow, Dubai, 25 March 2012. And, interview with Ambassador Abdulkadir Sheikhey Al-Hatimi, Consul General of the TFG to Dubai and North Emirates, Dubai, 22 November 2011.

[73] JSL received the first loan repayment of US$111,000 on 21 July 2008 and a second loan repayment of US$100,000 on 8 October 2007. See Attachment 1.2.d, accounts for Somalia EPNID project, sent to General Gaafow on 13 January 2009.

- JSL encountered difficulties because of changes of government interlocutors in successive TFG administrations.[74]

9. On 13 March 2008, General Mohamed Warsame Farah "Darawiish" (Director General of the National Security Agency) sent a letter to JSL informing the management that General Gaafow and Hassan Jaama were fully authorized to "solve the obstacles of the ePassport and open 5 new centres to accelerate the project."[75] General Darawiish acknowledged that the TFG was not following through on its financial obligations to JSL, and that a solution was urgently needed. Both parties agreed to open two different bank accounts in Nairobi and JSL's share would be automatically deposited into its account.[76] In order to expedite the agreement, Trans-National Bank agreed to open a "collection centre" inside the Somali embassy in Nairobi that would manage both accounts; however, the bank subsequently closed that collection centre due to the limited number of applications (the TFG had encouraged the bank to open a collection centre in the embassy as it was expecting over 5,000 applications per month).[77] Afterwards, most application fees processed through the embassy in Nairobi were directly deposited into the TFG Trans-National bank account. The TFG failed to deposit the required amount generated through enrolment centres outside Nairobi.[78]

10. In late March 2008, in a bid to address these growing problems, Ambassador Sheikhey, TFG Consult General in Dubai, convened a meeting at Safari Park Hotel in Nairobi between former TFG PM Gedi, TFG officials, the chairman of JSL, and two Somali businessmen.[79] Officials representing the TFG were General Abdullahi Gaafow Mohamud (Director of Immigration and Naturalization), Ambassador Abdulkadir Sheikhey Al-Hatimi (Consul General of the TFG in Dubai & North Emirates) and Ambassador Mohamed Ali Nur "Americo" (TFG Ambassador to the Republic of Kenya).[80] The two Somali businessmen were Sharif Ahmed Ba'alawi, Managing Director of SASCO Logistic (L.L.C) -- a registered limited liability company based in Dubai -- and his business partner Abdullahi Omar "Bootaan". Ambassador Sheikhey noted that JSL was having financial problems and they [JSL] were looking for a business partner.[81]

11. During the Safari Park meeting, TFG officials encouraged JSL to enter into an agreement with SASCO that would revive the ePassport project. Under the new agreement JSL would maintain its overall control over the project, but SASCO Logistic would assume responsibility for:

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[74] Interviews with Mr. Sanjivan Mukherjee, chairman of Just Solution Limited, Nairobi, 21 December 2011 and, 6 January 2012.

[75] The Directorate of Immigration and Naturalization reports to the National Security Agency. General Darawiish was also involved in all aspects of the project since the beginning of its inception. See Attachment 1.2.e, letter from Gen. Darawiish to JSL dated 13 March 2008.

[76] Interview with General Darawiish, Nairobi, 29 May 2012; phone interview with Mohamed Ali Nur "Americo", TFG Ambassador to Nairobi on 30 May 2012.

[77] Interviews with both General Darawiish and Sanjiv Mukherjee, Nairobi, 29 May 2012.

[78] Interviews with both General Darawiish and Sanjiv Mukherjee, Nairobi, 29 May 2012.

[79] Interviews with Mr. Sanjivan Mukherjee, Nairobi, 21 December 2011 and, 6 January 2012 and, Interview with Sharif Ahmed Ba'alawi, Dubai, 27 November 2011.

[80] Ambassador Abdulkadir Sheikhey Al-Hatimi was appointed Consul General in 2007 and, he probably became involved in the project due to the fact that JSL was producing passports in Sharjah Airport Free Zone.

[81] Phone Interview with Ambassador Sheikhey on 24 May 2012.

i) marketing the ePassport & national identity cards to all Somali citizens both inside and outside Somalia in coordination with the TFG;

ii) transporting all personalized ePassports together with national identity cards from the JSL production centre in Sharjah to the respective enrolment and issuance centres for distribution;

iii) facilitating the collection of all monies from the government;

iv) paying in advance to JSL US$24 for each ePassport and identification card application (SASCO will earn the remaining US$25 from the original US$49 per passport set under the 2007 agreement between the TFG and JSL).[82]

12. Under the terms of the new agreement, SASCO agreed to pay US$2.4 million to JSL, starting with an initial payment of US$500,000.[83] According to JSL's Managing Director, SASCO Logistic would assume the role of dealing directly with TFG officials, including any requests for "bribes", relieving JSL of one of the problems that had led to the crisis.[84] An addendum to the agreement between the TFG and JSL was submitted to the Minister of Finance for signature on 4 April 2008.[85] According to Gen. Darawiish, the Addendum was signed by Gen. Gaafow, and he was not aware about this new agreement until two months later. When he learned of the addendum, he claims to have rejected it on the grounds that the TFG should not interfere in JSL's internal business, especially if the company entered into an agreement with a third party. He refused to change the original contract with the JSL.[86]

13. Several weeks later, however, Sharif Ahmed Ba'alawi decided to withdraw from the agreement, reclaiming his initial investment of US$500,000 as well as another payment of US$100,000 to JSL.[87] Sharif claimed that his involvement was a mistake and, that the project was not viable.[88]

14. In mid-2008, General Darawiish travelled to Dubai to inspect JSL's facilities. During his visit, Ambassador Sheikhey asked General Darawiish if he would agree to be introduced to Sharif Ahmed, and offered to organize a meeting in Sharjah's Millennium Hotel where Darawiish was staying. During that first encounter, Sharif Ahmed informed the General that he and his partners wanted to replace JSL and that they were in a position to convince President Yusuf; however, in their view, the General was the only obstacle.[89] General Darawiish terminated the meeting by informing the

[82] See Attachment 1.2.f, agreement between JSL and SASCO Logistics signed 12 April 2008.
[83] See Attachment 1.2.f, agreement between JSL and SASCO Logistics signed 12 April 2008.
[84] Interview with Sanjivan Mukherjee, Nairobi, 21 December 2011.
[85] See letter from JSL to the Minister of Finance dated 4 April 2008 and, unsigned copy of the Addendum to the E-Passport & National Identification Card Project Contract between the TFG of Somalia and JSL.
[86] Interview with Gen. Darawiish, Nairobi, 29 May 2012.
[87] Clause 4.2 of the Agreement between JSL and SASCO obligates SASCO to pay US$380,000 within 30 days from the first day of the agreement signature. The US$100,000 was an advance to the first US$380,000. (See Attachment 1.2.f).
[88] Interview with Sharif Ahmed Ba'alawi, Dubai, 27 November 2011.
[89] Interview with General Darawiish, Nairobi, 29 May 2012.

Ambassador and Sharif Ahmed that the TFG had to respect its commitments to JSL and that the latter had not committed any major breach of any of the provisions of the project agreement.[90]

15. A few weeks later, General Darawiish received a call from Ahmed Yusuf Ahmed (the son of President Yusuf) asking him to come urgently to Nairobi. He informed him that Syed Ali (his brother in law) accompanied by Ambassador Ahmed Mohamed Egal (former TFG Ambassador to the UAE) and General Gaafow were going to meet with the President to ask for his support in changing the ePassport contractor.[91] Ambassador Ahmed Egal denied attending such meeting.[92] At that time, Mariam Yusuf Ahmed (the daughter of the president) and her husband Syed Ali were resident in Sharjah. They were aware of the passport project as they had previously met with Sanjivan Mukherjee in Sharjah and offered him to assist with the project.[93] Upon his return to Nairobi, General Darawiish was able to convince President Yusuf not to terminate the contract with JSL.[94]

16. After his resignation in late November 2008, General Darawiish called Sanjivan Mukherjee and informed him that he had asked General Gaafow and Hassan Jaama to clear the outstanding amounts with JSL; Darawiish claimed that at the time he resigned, the TFG still owed JSL around US$700,000.[95] In addition, Darawiish noted that the TFG had surpluses in some of the ePassport project accounts; approximately US$420,000 in the Somali Embassy in Addis Ababa and roughly US$400,000 in Mogadishu. Darawiish asked Gaafow and Hassan Jaama to withdraw money from these accounts in order to pay JSL. Later, Darawiish learned from the Somali Ambassador in Addis Ababa that General Gaafow and the newly appointed Minister of Finance Sharif Hassan had removed the money from the embassy account. Darawiish also learned that JSL was not paid.[96]

17. On 19 March 2009, General Gaafow met with JSL's Sanjivan Mukherjee and Mohamed Aden "Edson", TFG Consul in Nairobi, to discuss pending passport issues such as late deliveries, outstanding invoices and embassies orders. During that meeting, which took place at the Somali Embassy in Nairobi, Mukherjee raised concerns about passport orders originating with TFG Consul General Sheikhey in Dubai. The Consulate in Dubai was allegedly sending application orders directly to JSL, instructing the office in Sharjah to produce Somali passports without the endorsement of the Nairobi-based 'approval centre', undermining the verification process established by the TFG. In addition, Sanjivan Mukherjee requested that General Gaafow clear the pending amount of US$722,423 owed to JSL. The amount encompassed the outstanding US$200,000 initial loan as well as the outstanding balance of US$522,423 for the production of 17,572 ePassports.[97] General Gaafow

[90] Interview with General Darawiish, Nairobi, 29 May 2012.
[91] Interview with General Darawiish, Nairobi, 29 May 2012.
[92] Phone interview on 30 May 2012.
[93] Interview with Mr. Sanjivan Mukherjee, Nairobi, 21 December 2011.
[94] Interview with General Darawiish, Nairobi, 29 May 2012.
[95] Interview with General Darawiish, Nairobi, 29 May 2012.
[96] Interview with General Darawiish, Nairobi, 29 May 2012.
[97] See Attachment 1.2.d, Accounts for Somalia EPNID project, sent to General Gaafow on 13 January 2009. See also See Attachment 1.2.g emails exchanges between General Gaafow and JSL.

agreed that direct orders from embassies and consulates should cease, stating: "The Immigration Department is sole responsible [*sic*] of the approval and the issuance of the passports."[98]

18. In early 2009, Ambassador Sheikhey asked Mr. Mukherjee to travel to Dubai to meet with the newly-appointed TFG Minister of Finance, Sharif Hassan Sheikh Adan, to discuss issues related to the passport project. Mr. Mukherjee claimed that, just prior to that meeting, Ambassador Sheikhey told him that Sharif Hassan's son was studying in Australia and that a generous offer from Mr. Mukherjee would encourage the new Minister to assist in resolving pending problems. Mr. Mukherjee claims that he refused and that the meeting with the Minister was formal and inconclusive.[99] Ambassador Sheikhey denied having such a discussion with Sanjivan Mukherjee.[100]

19. In June 2009, Mr. Mukherjee met with the newly appointed TFG PM, Omar Abdirashid Ali Sharmarke, in Dubai. The PM inquired about the status of the passport project, and asked for explanations as to why passports had not been delivered by JSL to enrolment centres and embassies for a significant period of time. He also expressed security concerns because the production and data centres for passport were in Sharjah and not in Mogadishu. He asked Sanjiv to send him a proposal detailing a timeframe for installing a production centre in Mogadishu. PM Sharkmarke later told the Monitoring Group that he had not been aware of any pending payments at the time of his meeting with JSL, and that Mr. Mukherjee had not raised the issue with him.[101] Lastly, Mr. Sanjivan claimed that Ambassador Sheikhey had suggested that he offer an inducement to the PM so that the latter could assist in solving the project's pending problems.[102] The PM denied being aware of Ambassador Sheikhey's request.[103] Ambassador Sheikhey also denied having this discussion with Mr. Mukherjee.[104]

20. On 23 June 2009, Abdullahi Mohamed Aden (Vice-Consul of the TFG in Dubai and North Emirates) sent a letter to JSL expressing concerns about the company's "failure of fulfilling its obligation towards the production and issuance of Somali passports", and claiming that passports had not been delivered since 3 June 2009. The letter also asked JSL to provide information about the exact date the company would re-start producing and delivering passports.[105] In its response dated 24 June 2010, JSL informed the TFG that it was conducting a system upgrade, and that passport production would resume during the first week of July 2009 (JSL also noted that the TFG was aware about the scheduled upgrade). Furthermore, JSL claimed that the TFG had not yet cleared its outstanding payment of over US$600,000 despite promises by the finance minister, the prime minister, and the president to do so. Nor had the TFG offered feedback regarding setting up new enrolment centres. The

[98] The minutes of the meeting at the Somali Embassy in Nairobi on 19 March 2009 were sent by the Directorate of Immigration and Naturalization to JSL by email (See Attachment 1.2.g).
[99] Interview with Sanjivan Mukherjee, Nairobi, 21 December 2011.
[100] Phone interview with Ambassador Sheikhey on 24 May 2012.
[101] Interviews with PM Omar Abdirashid Ali Sharmarke, Dubai, 24 January 2012, and Nairobi, 7 June 2012.
[102] Interview with Sanjivan Mukherjee, Nairobi, 21 December 2011.
[103] Interview with PM Omar Abdirashid Ali Sharmarke, Dubai, 24 January 2012.
[104] Interview with General Darawiish, Nairobi, 29 May 2012.
[105] See Attachment 1.2.h, letter from Abdullahi Mohamed Aden to JSL dated 23 June 2009.

letter was also sent to the Office of Prime Minister, the Minister of Foreign Affairs, the Minister of Finance, and the Somali Vice-Consul in Dubai.[106]

21. On 19 May 2009, the Director of Immigration and Naturalization issued a directive to JSL ordering that "all online application [*sic*] will be served only by the Dubai General Consulate after the approval of Director of Immigration."[107] This new directive also allowed Somali citizens residing in cities where there was no enrolment centre to contact the Consulate in Dubai and, apply for a passport by email. This directive created new security issues: all online applications would be exempted from the mandatory electronic fingerprint scan and circumvent the approval centre in Nairobi.[108]

22. A Somali official familiar with the project told the SEMG that this Directive was dangerous and that it "opened a Pandora's box for criminals."[109] Moreover, according to the official, Finance Minister Sharif Hassan allegedly compounded the problem by signing a document in 2009 that designated Ambassador Sheikhey as the sole representative of the government responsible for coordinating with JSL.[110]

23. On 26 June 2009, Lt. Col. Abdi Yusuf Jibril, Deputy Director of Somalia's Immigration Department, sent a letter to the PM and the President alerting them that Somali diplomatic and service passports could "end in the hands of international terrorist organization", as well as raising concerns about the misappropriation of funds and "maladministration of the project".[111] According to Lt. Col. Jibril, the authorities disregarded his letter without conducting any investigation.[112]

24. Meanwhile, Sharif Ahmed contacted the Finance Minister and requested that he intervene with JSL with regards to the repayment of the US$600,000 he had invested in the project. In response to his request, Finance Minister Sharif Hassan convened a meeting with Sharif Ahmed and Sanjivan Mukherjee in Nairobi, Kenya in September 2009. At that meeting, the minister acknowledged that the TFG owed money to JSL and proposed that Sharif Ahmed forgive US$400,000 of JSL's total debt of US$600,000 and that in return the TFG would later pay Sharif Ahmed US$400,000, to be deducted from the money that the TFG owed to JSL. JSL and SASCO Logistics agreed to that condition and,

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[106] See Attachment 1.2.i, letter from JSL to General Gaafow dated 24 June 2009.

[107] See Attachment 1.2.j, directive from General Abdullahi Gaafow Mohamud dated 19 May 2009. An online application allows a Somali citizen residing in countries where there is no enrolment centre to go to an "agent" in order to testify that he/she is a Somali citizen, pays a certain fees and submit an application that includes a digital photo ID and basic identification information such as full name, date and place of birth, country of residence, father and mother's name, gender, marital status, occupation and contact information. After collecting this info, the agent sends the application by electronic mails to the Consulate in Dubai. The passport will be mailed through express courier two weeks later.

[108] Interview with Sanjivan Mukherjee, Nairobi, 21 December 2010.

[109] Interview with a TFG official with close knowledge of the passport project, Nairobi, 19 January 2012.

[110] Interview with a TFG official with close knowledge of the passport project, Nairobi, 19 January 2012; the SEMG has been unable to confirm the allegation.

[111] See Attachment 1.2.k, letter from Lt. Col. Abdi Yusuf Jibril to the President and Prime Minister of the TFG dated 26 June 2009.

[112] Interview with Lt. Col. Abdi Yusuf Jibril, Minneapolis, 27 January 2012.

JSL promised to pay the remaining US$200,000 to SASCO Logistics.[113] Sharif Ahmed confirmed to the Monitoring Group that he was not worried and he knew "how to get his money from the TFG".[114] Sanjivan Mukherjee noted that Sharif Ahmed received custom fees discounts from Mogadishu Port for his other trading businesses.[115] This TFG practice to repay money owned to third parties by offering deduction from the ports or airports has been commonly used by successive TFG administrations.

25. On 1 April 2010, Sharif Hassan Sheikh and Gaafow signed a new contract on behalf of the TFG with Mondial Technology Information (MTI) for the production of ePassports and National Identification Cards.[116] The Monitoring Group has confirmed that the de facto, unregistered owner and director of MTI is Sharif Ahmed Ba'alawi of SASCO Logistic.[117] The terms of the contract are similar to that signed with JSL, but the fees payable to MTI are US$35 per passport for all applications received within and outside Somalia, instead of US$49.

26. On 23 June 2010, nearly three months after the new contract had been awarded to MTI, TFG PM Sharmarke sent a termination letter to JSL alleging serious contract violations, notably JSL's "failure to streamline operations, improve services and eliminate the existing backlog."[118] By way of response, JSL claimed that the TFG had not respected its part of the contract and that, as of May 2012, the TFG still owes JSL US$1.5 Million.[119] After the termination of the contract, JSL decided to close its office in Sharjah and to ship all equipments to Nairobi without notifying the TFG.[120] The consignment was interdicted by the Kenyan Revenue Authority on 16 November 2011 and, at the time of writing, the case was before the Kenyan courts.[121]

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[113] Interviews with Sharif Ahmed Ba alawi, Dubai, 27 November 2011 and, with Sanjivan Mukherjee, Nairobi, 21 December 2011. See also Attachment 1.2.l, letter from JSL to Hon. Sharif Hassan Sheikh Aden dated 6 September 2009. See also Attachment 1.2.m, email from Sanjiv Mukherjee to Ambassador Abdulkadir Sheikhey Al-Hatimi dated 1 September 2009 and, Attachment 1.2.n, email exchange between Sharif Ahmed and Sanjiv Mukherjee dated 23 December 2009.

[114] Interview with Sharif Ahmed Ba'alawi, Dubai, 27 November 2011.

[115] Interview with Sanjivan Mukherjee, Nairobi, 21 December 2011.

[116] See Attachment 1.2.o, E-Passport and National Identification Card Project Contract Between the Transitional Federal Government of the Somali Republic and Mondial Technology Information. MTI is a Commercial Sole Proprietorship Est. registered in Dubai, UAE. The registration date is 11/08/2010 and the Dubai Chamber of Commerce & Industry License Number is 643165. The only registered shareholder is Mr. Fahd Abdulaziz Fahd Ali Shuhail AlFahtani (See Attachment 1.2.p, Mondial Technology Information company profile Dubai Chamber of Commerce & Industry).

[117] Interviews with Sharif Ahmed Ba'alawi, Dubai, 27 November 2011 and, Kamal Prabu, the System Analyst at MTI, Dubai, 26 November 2011. By law, it is only UAE nationals and nationals of GCC countries (subject to certain conditions) who are permitted to form a Sole Proprietorship in Dubai. "However, in recent years, a practice has evolved whereby a UAE national obtains a license for an establishment and leases it to an expatriate(s) for an annual fee", Helene Mathieu Legal Consultant, UAE, accessed online on 13 May 2012 http://www.hmlc.ae/business_set_up_establishment.html.

[118] See Attachment 1.2.q, letter from former TFG PM Omar A. A. Sharmarke to JSL dated 23 June 2010.

[119] Interview with Sanjivan Mukherjee, Nairobi, 21 December 2011.

[120] Interview with Ambassador Abdulkadir Sheikhey Al-Hatimi, Dubai, 22 November 2011.

[121] The consignment included 248 Somali diplomatic passports, 250 Somali passport travel documents, 250 Somali service passports, 300 Somali government ID cards, 246 ordinary Somali passports and 14,000 blank Somali ID cards, Brian Otieno, "Somali government disowns illegal passports consignment", The Star Newspaper, 23 November 2011, accessed online on 13 May 2012, 'http://www.the-star.co.ke/national/national/50541-somali-government-disowns-illegal-passports-consignment..

27. On 1 July 2010, PM Sharmarke sent a letter to MTI retroactively acknowledging the contract terms signed on 1 April 2010 and authorizing the commencement of the E-passport and National Identification Card Project.[122] The PM claimed that he had not been aware of prior negotiations, nor of the ownership of MTI, which says he believed to be an East European company.[123] Sharif Ahmed, however, has told the Monitoring Group that the PM and the President had been aware of his involvement in the new contract even before the official signature.[124]

Cases of Fraud and corruption

Misappropriation of funds

28. An SEMG investigation has determined that at least US$1,406,725 in revenue generated by the ePassport and National Identity Card Project with MTI was not accounted for in official TFG financial records for the period 2010 - 2011. According to official financial statements prepared by the Office of the Accountant General, the Directorate of Immigration and Naturalization reported a total income of only US$935,000.00 for FY2011,[125] and did not report any income between 2007 and 2010.[126] However, according to MTI billing account, the TFG generated an income of at least US$2,341,725 from the 'ePassport and National Identity Card Project' between July 2010 and 31 December 2011.[127]

29. The unaccounted for sum of US$1,406,725 represents approximately 6 per cent of total TFG domestic revenue in 2011 (US$24,102,860) and 3.3 per cent of total TFG domestic revenue (US$42,786,816) in the period 2010 - 2011.[128]

30. In March 2012, the Director of Immigration and Naturalization told the Monitoring Group that the TFG currently charges US$80 for an adult passport produced inside Somalia and US$100 for a passport produced outside Somalia. The cost of a child's passport (less than 18 years old) is US$40. The table below describes how these charges are divided between various parties.

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[122] See Attachment 1.2.r, letter from former TFG PM Omar A. Sharmarke to MTI dated 01 July 2010.
[123] Interview with PM Omar Abdirashid Ali Sharmarke, Dubai, 24 January 2012.
[124] Interview with Sharif Ahmed Ba'alawi, Dubai, 23 March 2012.
[125] See Attachment 1.2.s, TFG Accountant General annual financial report 2011-2012, a total of US$305,000.00 was accounted for from January to July 2011 and, a total of US$630,000.00 was reported from August to December 2011.
[126] Interview with Mohamed Rashid, TFG Accountant General, Nairobi, 9 May 2012.
[127] See Attachment 1.2.t, MTI invoice summary statement for government revenue, Period: July 2010 to 31 December, 2011.
[128] See Attachment 1.2.u, according to the TFG Accountant General yearly financial report 2010, the TFG domestic income in 2010 amounts to US$18,683,956.00. And, the unknown income of US$11,061,700 (suspected to be from external revenue) has been deducted from the total domestic income of US$35,164,560 (see Annex 1.1 para 27)

Table: Breakdown of ePassport and national identity card fees in U.S. Dollars[129]

Breakdown of ePassport and ID card fees	Adult Outside Somalia	Adult Inside Somalia	Child Outside Somalia	Child Inside Somalia
MTI	35	35	20	20
TFG	35	35	5	10
Directorate of Immigration	10	10	5	10
Embassy	20		10	
Total in USD	**100**	**80**	**40**	**40**

31. The above-mentioned figures do not take into account all "online application fees": only fees paid for "online applications" via embassies are reported in MTI statements; MTI does not report "online applications" processed through agents.[130] For example, "online applications" processed through the Immigration Resource Centre Travel Services (IRCTS) in Minneapolis (U.S.A.), which charges US$350 per passport application,[131] are accounted for neither in TFG accounts nor in MTI statements provided to the TFG.[132] The breakdown of IRCTS revenues is as follow:

i) US$195 to US$220 per application transferred through Money Transfer Companies (mainly Dahabshiil) to the embassy in Abu Dhabi or Consulate in Dubai;[133]

ii) US$70 to US$90 per application paid to shipping companies such as DHL; fees vary according to location and expedite services;

[129] Interviews with General Gaafow, Mogadishu, 15 March 2012 and Interviews with current TFG officials with close knowledge of the passport project, Nairobi, May 2012.

[130] See Attachment 1.2.v., according to MTI income statement for the period July 2010 to 31 December 2011, the embassies of Abu Dhabi, Muscat, Kuwait and Khartoum are the only ones that used the online application process. Also, see Attachment 1.2.w, Abu Dhabi, Muscat, Kuwait and Khartoum embassies account statements for government revenue, period: July 2010 to 31 December 2011 where the quantities and income of passports processed through "online" applications are not reported. Noteworthy that MTI income from July 2010 to 31 December, 2011 is US$2,634,775.00.

[131] Immigration Resource Center Travel Services website: http://www.ircoffice.com/passports.html. Interview with Lt. Col. Abdi Yusuf Jibril, Minneapolis, 27 January 2012. And, phone interviews with a Somali citizen residing in Minneapolis and, who knows the Immigration Resource Centre's manager, 10 May 2012 as well as Abdulahi Hersi, owner of the IRCTS, 30 May 2012.

[132] See Attachment 1.2.t, MTI invoice summary statement for government revenue, period: July 2010 to 31 December 2011 and, see Attachment 1.2.v, MTI income statement for the period July 2010 to 31 December, 2011.

[133] In an email communication with the SEMG dated 30 May 2012, Hersi claimed that the Dubai Consulate always charged US$220 and the Somali embassy in Abu Dhabi charged at the beginning US$195 but increased it to US$220. He preferred dealing with Abu Dhabi because they had better performance in terms of professionalism and time delivery. The centre pays also for all Hawala fees, phone interview with Mr. Abdullahi Hersi (owner of IRCTS), 30 May 2012.

iii) US$40 to US$85 IRCTS business income.[134]

32. Since "online applications" are mainly processed by MTI through the Consulate in Dubai, revenues generated this way appear to be absorbed in part between agents and MTI, with the lion's share going to the TFG's Dubai Consulate. Evidently, when the TFG assigned full authority for "online applications" to Consul General Sheikhey, it forfeited effective oversight of "online" procedures and transactions. IRCTS owner Abdullahi Hersi noted that although he was officially awarded the contract to process passport applications in the U.S.A., he has since "realized that both Abu Dhabi [embassy] and Dubai consulate are receiving ePassport applications from around the globe and from virtually all states and cities in the U.S.A.." He concluded: "the contract was not enforced because these overseas embassies and Mogadishu were all issuing [passports] to whoever pays them."[135] In fact, the SEMG has learned in May 2012 that a limited number of individuals had started to directly process "online" applications through the new production centre in Mogadishu.[136] Hersi mentioned that at the end of 2010, Sheikhey informed him that the TFG had decided to terminate its contract with IRCTS and signed a new one with a company in Ohio (U.S.A.), that Hersi suspects is headed by an associate of Sheikhey.[137] Sheikhey denied working with agents and emphasized that he is not familiar with IRCTS.[138]

33. Finally, despite having generated approximately US$1,231,931 from the ePassports and ID card project with JSL, the Directorate of Immigration and Naturalization failed to report any income from that phase of the project.[139] In fact, prior to January 2009, JSL processed a total of 17,681 ordinary passports: 6,604 passports outside Somalia and, 11,077 inside Somalia.[140] As noted in para 5 above, JSL was charging a fee of US$49 per ordinary passport for all passport applications. Thus, the TFG generated a total of US$1,231,931 from the contract with JTS; US$667,004 were generated from ePassport applications processed outside Somalia and, US$564,927 were generated from ePassport applications inside Somalia. And, the TFG has set a fee of US$150 per ordinary passport and electronic national identity card for Somalis residing outside Somalia and, US$100 for Somalis residing within Somalia. Although most passports were issued together with identity cards, this was not always the case, and the Monitoring Group has been unable to determine how many identity cards were actually issued.

34. As a footnote to the corruption that pervaded this project, Sharif Hassan (then Minister of Finance) and General Gaafow used their authority to withdraw the US$400,000 surplus from the

[134] Phone interview with Mr. Abdullahi Hersi (owner of IRCTS), 30 May 2012. Mr. Hersi was appointed by General Darawiish in 2007 as the "immigration representative" in the US. At that time, the TFG was planning to open enrolment centers in the US and Europe to serve the Somali community. Interview with General Darawiish, Nairobi, 29 May 2012.
[135] Email from Abdullahi Hersi to the SEMG dated 30 May 2012.
[136] General Gaafow informed the Monitoring Group that MTI has installed a second production centre in Mogadishu in 2011. Interview with General Gaafow, Dubai, 25 March 2012.
[137] Email from Abdullahi Hersi to the SEMG dated 30 May 2012.
[138] Phone interview with Ambassador Sheikhey on 24 May 2012.
[139] Interview with Mohamed Rashid, TFG Accountant General, Nairobi, 9 May 2012.
[140] See Attachment 1.2.d, Accounts for Somalia EPNID project sent to General Gaafow on 13 January 2009.

accounts of the Somali embassy in Ethiopia generated from passport applications; they did not report the transaction to the office of the Accountant General.[141]

Absence of competitive bidding

35. The Somali 'National ePassport and National Identification Card Project' is a prime example of how senior TFG officials deliberately avoid transparent competitive bidding procedures in order to transform core state functions into lucrative business opportunities for themselves and their cronies in the private sector. In this case, Sharif Hassan Adan, then Deputy PM and Minister of Finance, General Gaafow, the Director of Immigration and Naturalization and, Ambassador Sheikhey, the Consul General in Dubai acting with the tacit agreement of other TFG officials, including then Prime Minister Sharmarke and the President Sheikh Sharif, conspired to award the ePassport and identification card project to Sharif Ahmed Ba'alawi and MTI. Several TFG officials and Dubai-based Somali businessmen with close knowledge to the project have told the Monitoring Group that all the officials involved in the project have a share in Mondial Technology Information:[142] namely Sharif Hassan, Abdulqadir Sheikhey, and, Abdillahi Gaafow.

36. Sharif Ahmed was acquainted with the ePassport project and had expressed an interest in the contract as early as 2006, when he suggested to TFG President Abdullahi Yusuf Ahmed and PM Geedi that he could produce new passports for only US$10 per passport. He convinced the late President that if the TFG sold the passport for US$100, and an estimated one million Somalis ordered passports in the first few years, the TFG would generate around US$90 million in revenues.[143] According to Sharif Ahmed, PM Geedi responded with a counter proposal that the TFG invoice US$12 per passport instead of US$10, and that the difference of US$2 per passport be paid into a separate bank account owned by Geedi.[144] Since Sharif Ahmed claims that he accepted PM Geedi's proposal, he was later surprised to learn that the TFG had awarded the contract to JSL instead. Former PM Geedi denied having such a conversation with Sharif Ahmed and stated that he never discussed the technicalities nor negotiated the contract terms with Sharif Ahmed Ba'alawi. In an interview with the SEMG, the former PM added: "Why should I negotiate or ask for such money if I was in charge of the TFG account? [...] Passport fees would have been paid to a TFG owned account under my authority."[145]

37. With regard to the award of the passport contract to JSL, Geedi and Darawiish told the Monitoring Group that they had studied JSL's project proposal in 2005 and did not "have any other practical proposal at that time."[146] Geedi added that the Government of Oman offered to fund the ePassport project, but that it was just a discussion and that although he had sent Hassan Ahmed Jaama (Deputy Minister of Foreign Affairs and International Cooperation) to Oman to follow up with the

[141] See Section 16, and Interview with Mohamed Rashid, TFG Accountant General, Nairobi, 9 May 2012.
[142] Interviews with TFG officials and Dubai based Somali businessmen, Dubai and Nairobi, November and December 2011 as well as February and March 2012.
[143] Interviews with Sharif Ahmed Ba'alawi, Dubai, 27 November 2011.
[144] Interviews with Sharif Ahmed Ba'alawi, Dubai, 27 November 2011.
[145] Interview with Former PM Geedi, Nairobi, 26 May 2012.
[146] Interviews with former PM Geedi and General Mohamed Farah "Darawiish", Nairobi, 29 May 2012.

authorities, nothing had been formalized. The former PM also claimed that he asked an immigration officer, Abdi Hassan "Hijar", to check the profile of the company introduced by Sharif Ahmed; the officer reported later that the company was questionable and that the PM should not sign an agreement with them."[147] Finally, the former PM added that Sharif Ahmed had tried to influence the TFG's decision-making by bringing two associates when he approached the TFG; Abdullahi Omar "Bootaan" a close relative of President Yusuf, and Engineer "Alow", a close relative of the PM.[148]

38. Long before the termination of the TFG's contract with JSL, Sharif Ahmed and senior government officials began conspiring to replace JSL as the primary contractor. In early 2008, a TFG official suggested that Sharif Ahmed invest in the project; together with Ambassador Sheikhey, Sharif Ahmed began to approach members of the Somali business community in Dubai with a view to raising a total of US$2 million to invest in the ePassport and national identity card project.[149] Meanwhile, Ambassador Sheikhey was awarded full "coordinator role" over the project: one of the key factors that led to disagreements with JSL and the termination of the contract.

39. Even before the contract with JSL had been terminated, Finance Minister Sharif Hassan Aden and General Abdullahi Gaafow signed the contract with MTI, on behalf of the TFG. Former TFG PM Sharmarke told the SEMG that the Council of Ministers had discussed the new contract, and that he was aware of MTI's link to Sharif Ahmed -- despite having previously denied it (see paragraph 27 above). He stated that he believed at that time that Sharif Ahmed was still involved with JSL, providing logistical support to the project (see para 12 above). The PM evaluated that the new agreement with MTI would not adversely affect the project since Sharif Ahmed was already in charge of logistics; only the technology provider would change. He said he thought that MTI was engaging an Eastern European owned company.[150] General Gaafow subsequently told the Monitoring Group that the Minister of Finance asked him to sign the agreement, and that he "did not know MTI and had never met with them before signing the agreement."[151] Nevertheless, he claimed that he knew the project would be better off with MTI, even though the TFG had conducted no prior evaluation of either company.[152] The Monitoring Group has since been unable to obtain any project proposal or technical assessment from either MTI or the TFG regarding the project.

40. Sharif Ahmed, current Chairman of the Somali Business Council in Dubai, played a key role not only in the ePassport project, but also in the award of other contracts by the TFG. He makes no secret of his close relationships with certain TFG officials, notably Sharif Hassan, with whom he is alleged to share several business partnerships in the U.A.E.[153] Sharif Ahmed has also admitted to the MG that

[147] General Hijar is currently the military attaché to the Somali embassy in Saudi Arabia. He is a member of the Darod/Harti/Dulbahante clan. The Interviews with former PM Geedi and General Mohamed Farah "Darawiish", Nairobi, 29 May 2012.

[148] Interview with former PM Geedi, Nairobi, 26 May 2012.

[149] Interview with a Dubai based Somali businessmen who was asked to invest in the project, Dubai, 29 February 2012.

[150] Interview with PM Omar Abdirashid Ali Sharmarke, Nairobi, 7 June 2012.

[151] Interview with General Gaafow, Dubai, 25 March 2012.

[152] Interview with General Gaafow, Dubai, 25 March 2012 Gaafow.

[153] Interviews with TFG officials and Somali businessmen based in the UAE with close knowledge of Sharif Ahmed Ba'alawi businesses, Nairobi and Dubai, November and December 2012.

in the past he had bribed TFG officials to obtain contracts (although he claims not to have paid a bribe to have won the MTI contract).[154]

41. In sum, the cartel-style arrangements under which the ePassport contract has been handled are illustrative of 'business as usual' within the TFG, notably the brazen collusion of senior officials and their business counterparts for the purpose of personal profit without even nominal reference to basic principles of tendering such as transparency, competition, quality or conflict of interest.

Mismanagement and corruption at the embassy level

42. The Director of Immigration and Naturalization informed the SEMG that embassies charge only US$100 per passport, as per his instructions.[155] However, the Monitoring Group has confirmed that embassies routinely charge between US$100 and US$350 per passport. Any income over US$100 is not reported to Mogadishu and, the Accountant General confirmed to the SEMG that he has never received any financial income statements from embassies.[156]

43. According to MTI financial statements, a total of 23,310 adult passport applications were processed via embassies between July 2010 and 31 December 2011.[157] As embassies officially generate US$20 per application (see the table above), they should have reported a combined income of at least US$466,200 during that period. TFG financial statements from 2007 to 2011, prepared by the Accountant General, do not report any income from embassies abroad.

Extortions, bribes and intimidation

44. On 8 December 2006, less than two months after signature of the contract, JSL received a letter from General Gaafow claiming that his office was concerned about the "delay of the release of advance payment of US$2.5 million upon the start of the project."[158] According to Geedi, Darawiish and Sanjivan, the US$2.5 Million had never been discussed or agreed to, either before or after the signature of the contract.[159] Geedi and Darawiish both claimed not to have been aware about Gaafow's request and, Geedi described it as an "act of intimidation."[160] Mr. Sanjivan also interpreted this surprise request as an attempt at intimidation and coercion, and was especially concerned that it took place so early in the project's development.[161] In addition, both Geedi and Darawiish claimed

[154] Interview with Sharif Ahmed Ba'alawi, Dubai, 26 March 2012.
[155] Interview with General Gaafow, Mogadishu, 15 March 2012.
[156] Interview with Mohamed Rashid, TFG Accountant General, Nairobi, 9 May 2012.
[157] See Attachment 1.2.v, MTI income statement for the period July 2010 to 31 December, 2011.
[158] See Attachment 1.2.x, letter from General Gaafow to JSL dated 8 December 2006, and its response by JSL dated 9 December 2006.
[159] Interviews with PM Geedi, General Darawiish and Sanjiv Mukherjee, Nairobi, 29 May 2012.
[160] Interviews with PM Geedi, Nairobi, 26 May 2012, and General Darawiish, Nairobi, 29 May 2012.
[161] See Attachment 1.2.x, and Attachment 1.2.b, letters from JSL to General Gaafow dated 9 December 2006 and 27 December 2006. Interview with Sanjivan Mukherjee, Nairobi, 21 December 2010.

that they were not aware of the US$211,000 "loan" advanced by Sanjivan to Gaafow (see para. 7 above) and Hassan Jaama, and suspect that this money was never used for government expenses.[162]

45. The Monitoring Group has also obtained evidence showing that General Gaafow asked Mr. Mukherjee for a "personal loan" in order to continue the collaboration between them.[163] According to Mr. Mukherjee, his understanding was that the US$250,000 "loan" would have never been repaid and that "the General simply wanted to take more money from JSL."[164] Gaafow denied having any private conversations with Sanjivan; he also denied sending him an email requesting a loan, despite evidence to the contrary obtained by the SEMG.[165]

Implications for local, regional and international security

46. The hijacking of the 'ePassport and National Identification Card' project by a cartel of corrupt TFG officials and unscrupulous businessmen means that passport production has not only been transformed into a money-making venture, but also one characterized by the total lack of regulatory control, declining standards and outright fraud. Successive decisions by the TFG officials concerned, particularly the delegation of authority for "online applications" to the Dubai Consulate and the dismantling of any centralized supervision of the process, have so gravely compromised the legitimacy and authenticity of the ePassport that it soon risks being of little more use to ordinary Somalis than the discredited green passport of the Barre era.

47. The lack of serious regulatory controls on its issuance combined with the removal of the mandatory fingerprints, has essentially degraded the new Somalia travel document to the status of a commodity to be bought, sold, bartered or traded.

48. The Monitoring Group has confirmed that passports have routinely been issued in false names or with other deliberately falsified data, sometimes at the behest of senior TFG officials. The Monitoring Group has obtained evidence of a Somali citizen holding two passports with different identifying information, such as names, mother's name, date of birth, and place of birth.[166] Somali diplomats and personnel working at enrolment centres abroad have told the SEMG that this case is far from unique. On the contrary, General Gaafow's decision to close the Nairobi based 'approval centre', which had been established to monitor all irregularities and fraud, appears to have been intended to enable such practices. General Gaafow justified the closure of the 'approval centre' to another TFG official on the grounds that it would "facilitate and accelerate the production process."[167]

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[162] Interviews with PM Geedi, Nairobi, 26 May 2012, and General Darawiish, Nairobi, 29 May 2012.

[163] See Attachment 1.2.y, email exchanges between General Gaafow and JSL dated 16 October 2009. Gaafow did not mention the amount by email but Sanjivan told the SEMG that, in a prior conversation, Gaafow has asked for US$250.000; interview with Sanjivan Mukherjee, Nairobi, 29 May 2012.

[164] Interview with Sanjivan Mukherjee, Nairobi, 21 December 2010.

[165] Interview with General Gaafow, Dubai, 25 March 2012.

[166] See Attachment 1.2.z, Passports of Bintow Ibrahim Mudey (passport number: P00088868) and Amina Hassan Kulmiye (passport number P00172590). Both passports were issued by MTI.

[167] The approval centre was then closed in late 2009. Interview with a TFG Official, Nairobi, 19 March 2012.

49. In some cases, TFG officials have been known to intervene with passport offices in order to pressure them to issue Service or Diplomatic passports to non-diplomats or non-officials, even if the enrolment staffs have rejected the initial application.[168]

50. On 24 March 2011, on the instructions of TFG President Sheikh Sharif, two honorary diplomatic passports were issued to Ahmed Ali Jumale (also spelled Jimale and Jim'ale) in defiance of sanctions imposed by the UN Security Council, including a travel ban.[169] One of the passports (number D00002847) is valid until 24 March 2016, and the MG has confirmed that Mr. Jim'ale travelled to Turkey with the Somali president in mid-August 2011.[170]

51. By bribing TFG officials, non-Somali citizens have also been able to obtain Somali passports, both inside and outside Somalia, with false identity information. In one such case, the Monitoring Group has learned of a non-Somali citizen carrying a Somali passport issued by the TFG and who claimed to be Somali, but could neither speak Somali nor identify sub-clans located in the region where he claimed to be from.[171] In that particular case, TFG officials in Mogadishu gave instructions to grant a Somali passport to someone they believed to be Sudanese, over the objections of officials at the Somali embassy in Nairobi. Two TFG officials have independently told the Monitoring Group that interventions by influential Somali and Kenyan political figures (one of whom is cited in the Monitoring Group's July 2011 report for involvement in cross-border contraband activities), had been instrumental in persuading the TFG to grant a Somali passport to this individual.[172]

52. Even more troubling is the prospect that members of Al-Shabaab or other extremist groups might be able to obtain falsified travel documents, either because of lax security procedures or through the intervention of corrupt TFG officials. Several TFG officials have told the SEMG that leaders and fighters of Al-Shabaab have already obtained Somali passports from Mogadishu[173] a former Somali immigration official alleged that Al-Shabaab spokesman, Ali Mohamud Raghe (Ali Dheere), is in possession of three Somali passports, two diplomatic and one private.[174] Although the Monitoring Group has been unable to verify this claim, the pervasiveness of fraud within the passport issuance process means that the possibility of Al-Shabaab figures obtaining falsified Somali travel documents cannot easily be dismissed.

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[168] Interviews with Somali Officials, Nairobi, 8 May 2012.

[169] Interview with General Gaafow, Dubai, 25 March 2012.

[170] The other passport (number D00002739) was cancelled at the request of General Gaafow. Interview with a TFG official, June 2012.

[171] Normal procedures established in 2006 require that the staff at enrolment centre question the applicant in order to confirm his Somali identity. They normally ask him questions related to his family, clan and Somali areas where he claimed to have been born or lived. They could also ask him to bring elders who can testify and swear on the Holy book that the applicant is Somali. Interview with General Gaafow, Dubai, 25 March 2012 and with official staffs at enrolment centers abroad, March and April 2012.

[172] Interviews with current TFG officials with close knowledge of the passport project, Nairobi. April 2012 and, MG report S/2011/433, paras 76-78.

[173] Interview with a former and current TFG officials with close knowledge of the passport project, Nairobi, April 2012.

[174] Interview with Lt. Col. Abdi Yusuf Jibril, Minneapolis, 27 January 2012.

Privacy and information security

53. Lastly, the Monitoring Group has serious concerns about the poor information security environment within which personal data relating to passport applications is stored. Despite assurances given by the Director of Immigration and Naturalization about the protection of the passport data, the Monitoring Group had little trouble obtaining access to a database containing confidential information about every passport processed inside Somalia and in some embassies abroad.[175]

[175] Interview with General Gaafow, Dubai, 25 March 2012.

Annex 1.2.a.: E-Passport and national identification card project contract between the Transitional Federal Government of the Somali Republic and Just Solution Limited dated 19 October 2006

E-Passport

&

National Identification Card Project Contract

Between

The Transitional Federal Government of the Somali Republic

&

Just Solutions Limited

Just Solutions Ltd.

THIS AGREEMENT is made on the 19th day of October 2006 at Nairobi, Kenya

BETWEEN

1. THE TRANSITIONAL FEDERAL GOVERNMENT OF THE SOMALI REPUBLIC acting through and represented by the office of the Prime Minister, duly authorizes the Ministry of Foreign Affairs & International Cooperation and the Directorate of Immigration & Naturalization to represent the Transitional Federal Government of the Somali Republic (hereinafter referred to as "**the First Party**" which expression shall where the context so admits include its successors) of the one part

AND

2. JUST SOLUTIONS LIMITED a limited liability company duly incorporated under the provisions of the Laws of Seychelles (hereinafter referred to as "**the Second Party**" which expression shall where the context so admits include its successors and assigns) of the second part

WHEREAS:

A. The First Party desires to appoint a reliable supplier to outsource the production and supply of New Advanced Biometric Somalia Passports and National Identity Cards which meet all the regulations and requirements of the International Civil Aviation Organization (ICAO) (hereinafter referred to as "**the Project**").

B. The Second Party has expressed its willingness readiness and ability to undertake the outsourcing the production & implementation of the project.

the Agreement consists of Two (2) original sets. Each Party will hold 1 original set, each set consisting of 28 clauses written on 14 pages and Appendix A & Appendix B.

AS WITNESS the hands of the duly authorized representatives of the parties hereto the day and the year first before written.

Signed for and on behalf of

THE TRANSITIONAL FEDERAL GOVERNMENT OF THE SOMALI REPUBLIC

Name: Hassan Ahmed Jama

Position: Deputy Minister of Foreign Affairs and International Cooperation

Signature: 19/10/06

Name: Abdullahi Gafow Mohamed

Position: Director of Immigration & Nationalization

Signature: 19.10.06

Signed for and on behalf of:

JUST SOLUTIONS LIMITED

Name: Sanjivan Sunilkumar Mukherjee

Position: Chairman

Signature:

Name: Jyoti Sanjivan Mukherjee

Position: Director

Signature:

Annex 1.2.b.: Letter from JSL to General Gaafow dated 27 December 2006

Just Solutions FZC

Mr. Abdullahi Gafow Mohamud
Director of Immigration & Naturalization
Transitional Federal Government of the Somali Republic
Nairobi, Kenya.

27th December 2006

Dear Sir,

Further to your letter Ref: FGS/DIN/HI/12.06 dated 12th December 2006 requesting an advance payment and various meetings held during the last two weeks, we are pleased to respond as follows:

We understand that the existing E-Passport & National ID Card project that has been contracted to our company is currently experiencing difficulties as the Transitional Federal Government of the Somali Republic is currently unable to finance its operations related to this project. This includes commitments such as Enrollment Centre staff salaries for government employees, establishment costs for setting up new enrollment centres, travel costs etc.

JSL had provided an advance loan payment of US$ 200,000.00 to the Government in December 2005 for this purpose but we understand that this amount has already been exhausted. Furthermore, JSL also provided a loan to the government for US$ 11,000 in November 2006 to assist the government in paying salaries for its staff at the Nairobi enrollment centre.

As mentioned by you during our discussions, this lack of finance is seriously hindering the progress of the project. In your letter dated 8th December 2006, you have mentioned in Point 4 that JSL has "accepted the release of advance payment of US$ 2.5 Million". Please note that this was never part of any contractual or verbal agreement.

The JSL Board of Directors however feels that in the interest of collaboration and for the success of the project, JSL is willing to provide an additional Loan to the Transitional Federal Government of the Somali Republic of US$ 200,000.00 (United States Dollars One Hundred and Fifty Thousand Only) in two payments, the first being for US$ 150,000.00 and the second for US$ 50,000.00. The JSL Board insists however that we receive a commitment from the Government that this money will be used solely for the purposes of financing the operations of the E-Passport & National ID Card project.

The second payment of US$ 50,000 will be released on 15th January, 2007. The JSL Board is concerned at the lack of applicants for the new E-passport and National ID card. Since the opening of the enrollment centre in Nairobi over a month ago, less than 100 passport applications have been received. We are confident that the government will do everything in its powers to generate acceptance of the new E-passport & National ID card from both the international community and its citizens.

Please note that JSL is not in a position to make any further loans / advances to the government after this latest loan of US$ 200,000.00 is provided. This loan along with the earlier loan amount of US$ 200,000.00 paid in December 2005, and the loan for US$ 11,000 paid in November 2006 shall be repaid to JSL from all monies paid by applicants on a first priority basis. I.e. all money collected from applicants and due to be credited to the Government's account shall be deposited in the JSL account until the total amount of US$ 411,000.00 is recovered. As these are loans provided by JSL, should the project for any reason what so ever be stalled, cancelled or delayed, the total outstanding loan amount shall be repaid to JSL immediately.

P.O. Box 120243, SAIF Zone
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Just Solutions FZC

Finally, we are rather concerned by comments from Government representatives. We sincerely hope such comments will not be made in future as it has a negative impact on the existing positive project relation both parties.

If all the contents of this letter are acceptable to you, please provide a letter of acceptance stating that you accept the terms of this letter and have it duly signed by:

- Director of Immigration & Naturalization
- Deputy Minister for Foreign Affairs & International Co-operation

The Acceptance Letter must acknowledge the following:

- Advance of US$200,000.00 was paid in December 2005 as per the contract
- Any additional loans or advances are requests by the governments and are not contractual obligations
- Loan of US$ 11,000.00 was provided to the government by JSL in November 2006. This was not a contractual requirement but a loan provided by JSL to the Government
- A loan of US$ 150,000 will be provided by JSL to the Government upon receipt of the acceptance letter
- A further loan of US$ 52,000 will be provided by JSL on 15th January, 2007
- The total loans provided shall be repaid to JSL on a first priority basis from the money received from applicants until the entire amount is repaid
- The total outstanding loan amount of US$411,000.00 shall be repaid to JSL if not recovered from passport application fees by 31st May, 2007
- No further loans will be requested by the government. The government or its representatives must at no time question JSL's capacity to deliver the project if JSL is not in a position to provide further loans
- The government or its representatives shall co-operate with JSL to make the project successful in good environment
- The government intends to honor the contract that was signed and has no objections about the capacity of JSL to deliver the project and acknowledges that JSL has met all its contractual obligations to date

We look forward to working with you and your team and assure you of our full cooperation.

Yours sincerely,

For Just Solutions Limited
Sanjiv Mukherjee

Cc: Gen Mohamed Warsame Farah, Director of Intelligence
Hon Hassan Ahmed Jama, Deputy Minister and Project Chairman
Hon. Ali Mohamed Gedi, Prime Minister

Received and Accepted by:

Signature
Mr. Abdullahi Gutow Mohamud

Signature
Hon Hassan Ahmed Jama

P.O. Box 120243, SAIF Zone
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Tel: +971 65673371 | 502864464
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Annex 1.2.c.: Two payment receipts dated 28 December 2006 and 8 February 2007

Just Solutions FZC

28th December, 2006

PAYMENT RECEIPT

Received from Just Solutions FZC a sum of US$150,000.00 (US Dollar One Hundred Fifty Thou. and Only) as per their letter dated 27th December, 2006.

Signature
Mr. Abdullahi Gafow Mohamud
Director of Immigration & Naturalization
Transitional Federal Government of the Somali Republic
Nairobi, Kenya.

Just
Solutions FZC

8th February, 2007.

RECEIPT

Received from Just Solutions FZC balance payment of US$200,000.00 as agreed between TFG of Somali and Just Solutions. Paid in Cash US $ 40,500.00 (US Dollars Forty Thousand Five Hundred Only.

Hon Hassan Ahmad Jama
Deputy Minister of Foreign Affairs & International Co-operation
Transitional Federal Government of Somali

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Annex 1.2.d.: Accounts for Somalia EPNID project, sent to General Gaafow on 13 January 2009

Just Solutions Ltd.
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Abdullahi Gafow Mohamud
Director of Immigration & Naturalization
Transitional Federal Government of the Somali Republic
Nairobi, Kenya.

13th January 2009

Accounts for Somalia EPNID Project – 13th January 2009

Item	Quantity	Rate (US$)	Total (US$)
Production			
Inside Somalia	11,313	49.00	603,827.00
Outside Somalia	5,035	70.00	454,440.00
Express	124	20.00	4,580.00
Specimens (1,400 less 300 free)	1,100	49.00	53,900.00
TOTAL due for Production			**1,116,747.00**
Payment Received			
Payment from NBI Staff			(2,550.00)
Payment Cash in NBI			(30,000.00)
Payment from Dhabshil			(28,500.00)
Payment Quaran 30th July 2007			(60,000.00)
Payment Quaran 23rd August 2007			(60,000.00)
Payment Received 10th March 2008			(247,500.00)
Payment Received Cash Dubai 29th June 2008			(30,000.00)
Payment Received TNB 21st July 2008			(16,374.00)
Payment Quaran 15th September 2008			(50,000.00)
Payment received TNB 27th October 2008			(30,000.00)
Payment received from Dhabshil 24th Nov 2008			(39,400.00)
Total payments received to date			**(594,324.00)**
Balance Payable by TFG for production			**522,423.00**
Loans			
JSL Loan to Government			**200,000.00**
JSL Loan to Government			**211,000.00**
Total Loans repayable			**411,000.00**
Loan Repayment Received			
Loan repayment received 21st July 2008 TNB			(111,000.00)
Payment Quaran 8th October 2007 (60K+40K)			(100,000.00)
Total Loans repaid to date			**(211,000.00)**
Outstanding Loans Balance			**200,000.00**
Total amount due (Production + Loans)			**722,423.00**

Production summary by centre on 13th January 2006

Station Name	Ordinary	Diplomatic	Service	Travel	Total
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Inside Somalia: 12,323
Outside Somalia: 6,492
Total: 19,256

Payment Instructions:
Please organize to have the amounts shown above transferred to our following account:

A/C Name: **Just Solutions FZC**
A/C No: **01-1101147481**
Bank: **Citibank N.A.**
Branch: **Al Wasim Branch, Dubai, United Arab Emirates**
SWIFT: **CITIAEAD**

Should you require any clarifications, please do not hesitate to contact me.

Yours sincerely,

Chets Mukherjee
Project Manager

Annex 1.2.e.: Letter from General Darawiish to JSL dated 13 March 2008

HAY'ADDA NABADSUGIDDA QARANKA
Xafiiska Taliyaha

Republic of Somalia

NATIONAL SECURITY AGENCY (NSA)
Office of the Direct. Gen.

Ref: NNFO/XT/1038/08 Date: 13 March 2008

To: Just Solutions Ltd
Main Office - Nairobi

I would like to inform you that Hon. Hassan Ahmed Jama and Gen. Abdullahi Gafow Mohamud are going to proceed to solve the obstacles of the e-passport and open 5 new centers to accelerate the project.

They are fully authorized and we are looking forward that you can reach with them a final solution for better cooperation and to speed up the process.

With our highest consideration.

Gen. Mohamed Warsame Farah (Darwish)
Director General of National Security Agency

Annex 1.2.f.: Agreement between JSL and SASCO Logistics signed 12 April 2008

AGREEMENT

Between

JUST SOLUTIONS FZC.

(Hereinafter referred to as "JSL")

And

SASCO LOGISTICS (L.L.C)

(Hereinafter referred to as "SASCO")

Dated: 12th April, 2008

AGREEMENT

Just Solutions FZC having its registered address as P.O. Box 120243 SAIF Zone, Sharjah, United Arab Emirates (hereinafter referred to as "JSL"), is entering into this Agreement, hereby known as the "Agreement" with SASCO Logistics (L.L.C) Limited with its registered address at P.O. Box 35420, Dubai, United Arab Emirates (hereinafter referred to as SASCO).

WHEREBY

JSL has entered into a contract with the Transitional Federal Government of the Somali Republic (hereinafter referred to as TFG) to supply ePassports with National Identity Cards. JSL has agreed to enter into this Agreement with SASCO to assist JSL to market the project, facilitate transportation logistics & collect monies from the government. This contract shall remain valid for

a. Five Years from the date of signing. Or
b. Until the TFG is fully satisfied to the extent it's Agreement with JSL is 100% utilized.
Which ever of A&B is later

1.0 JSL Roles & Responsibilities

1.1 JSL shall maintain overall control of the contract and shall remain responsible for the establishment of additional enrolment centres as per the original proposal with TFG. JSL shall continue to provide all software, hardware, training and support services to TFG.

1.2 JSL shall request the TFG to make an addendum to the existing agreement with TFG to facilitate SASCO from performing its obligations under this contract.

1.3 JSL shall continue to produce the **ePassports & National ID cards** within the specified time frames as stated in the agreement with TFG.

2.0 SASCO Roles & Responsibilities

2.1 SASCO will be responsible in coordination with TFG for marketing the **ePassports & National Identity Cards** to all Somali citizens both inside and outside Somalia.

2.2 SASCO will be responsible for the transportation of all personalized ePassports with National identity cards from the JSL production centre in Sharjah to the respective enrolment and issuance centres for distribution.

2.3 SASCO is responsible for soliciting for at least One Hundred Thousand ePassport with National Identity Card applications every Six months.

2.4 SASCO shall pay for first batch of One Hundred Thousand ePassports with National identity cards to JSL as per the payment schedule shown in clause 4.0 of this agreement.

2.5 Subsequent payments for subsequent batches of 100,000 or more ePassports with National Identity Cards shall be paid for as per section (4.2). SASCO agrees to pay for at least 100,000 ePassports & National Identity cards once every six months.

2.6 SASCO as JSL's will ensure that all official communication regarding this project is made through JSL or with the approval of JSL, and is copied to JSL.

3.0 Payments

3.1 SASCO is responsible for facilitating the collection of all monies from the government. All payments from TFG shall be received into Sasco's nominated bank account.

3.2 SASCO shall pay in advance to JSL United States Dollars Twenty Four (US$ 24.00) for each ePasaport & ID card application. Prices are quoted exclusive of all taxes, duties, transportation and bank charges.

4.0 Payment Schedule

4.1 SASCO is solely responsible for facilitating the collection of money from the TFG. SASCO shall not withhold payments to JSL due to delays in recovering money from the TFG.

4.2 The following payment terms shall apply for the first batch of One hundred thousand ePassports & Identity cards. The Total amount payable to JSL for this is United States Dollars Two Million Four Hundred thousand Only (US$ 2,400,000.00) exclusive of all taxes, duties, transportation and bank charges.

- US$ 500,000.00 Payable on signing of this agreement
- US$ 380,000.00 Payable 30 days after signing of this agreement
- US$ 380,000.00 Payable 60 days after signing of this agreement
- US$ 380,000.00 Payable 90 days after signing of this agreement
- US$ 380,000.00 Payable 120 days after signing of this agreement
- US$ 380,000.00 Payable 150 days after signing of this agreement

4.3 All payments shall be made within 15 working days from the due date. Failure on SASCO's part to make payments to JSL as per the above schedule will result in this agreement being terminated after notice of (30) days by JSL to Sasco and Sasco failed to remedy this failure within the said period. Except if this none payment was not contributable to Sasco or was due to Force Majeure.

4.4 If the project with TFG went smoothly then, future advance payments for all future batches from SASCO shall be made for a minimum quantity of 100,000 ePassport with Identity Cards every six months. The payment for these future batches shall be made as per clause (4.2).

4.5 JSL shall not be liable for refunding any advance payments received from SASCO in the event of SASCO failing to recover the due funds or generating sufficient applications from TFG but then Sasco shall be entitled for an extension of time for upcoming payments.

4.6 If the application quantities received from the TFG exceeds 100,000 ePassport with National Identity card applications during a six month period, SASCO shall pay JSL for the additional applications on receiving them.

4.7 JSL shall guarantee that it shall deliver all epassports with Identity cards that have been paid fore shall within the agreed time frames as specified in JSL's contract with TFG. In the event that JSL failed to make timely deliveries , Sasco shall serve JSL with notice and JSL shall have 30 days to remedy the situation. In the event that JSL fails to rectify the breach during this time , Sasco shall reserve the right of asking for a full refund of monies paid for undelivered items, withholding future payments and/or

15.0 **Entire Agreement, Modifications**

This agreement sets forth the entire agreement and understanding between the parties and merges all prior discussion between them. Any modifications to this contract shall be made in writing and must be agreed to by both parties and shall be added as an addendum to this agreement.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, do hereby execute this instrument, with each signatory warranting its authority to enter into this agreement on behalf of the party it represents.

I have read and accepted the above terms and conditions

Just Solutions FZC

Address: **P.O. Box 120243, Sharjah, UAE**

Name: SIVARAM MURTHY S.K

Position: Director

Signature:

Date: 12/04/2008.

SASCO Logistics LLC

Address: P. O. Box 35420, Dubai, UAE

Name: SHARIF AHMED SHARIF

Position:

Signature:

Date: 12.04.08

In witness thereof:

Name:

Address:

Signature:

Date:

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, do hereby execute this instrument, with each signatory warranting its authority to enter into this Agreement on behalf of the party it represents.

I have read and accepted the above terms and conditions

Just Solutions FZC

Address:	P.O. Box 120243, Sharjah, United Arab Emirates
Name:	[illegible]
Position:	DIRECTOR
Signature:	
Date:	12/04/2012.

Company Seal

SASCO Logistics LLC

Address:	P. O. Box 35422, Dubai, United Arab Emirates
Name:	SHARIF AHMED SHARIF
Position:	
Signature:	
Date:	12-04-08

Company Seal

In witness thereof:

Name:

Address:

Signature:

Date:

Annex 1.2.g.: Emails exchanges between General Gaafow and JSL

Date: 01:46 PM EAT, 03/26/2009
From: "Sanjiv Mukherjee" <sanjose2000@usa.net>
To: "Directorate f Immigration and Naturalization" <approvalepnid@gmail.com>, "Sanjiv Mukherjee" <sanjose2000@usa.net>, <gafow333@yahoo.com>
Cc: "Chets Mukherjee" <chets@justsolutionsltd.com>
Subject: Remind

Dear Mr. Abdullahi Gafow Mohamud,

We have met several times and discussed the matter of Payment. Everytime we meet you promise to clear the outstanding payment. Even in my last meeting in Nairobi Embassy with you and Mr. Edson, it was agreed that you will clear the outstanding payment as soon as possible.Whatever you want to discuss you may send us the matter by email. On your promise I have travelled several times to Dubai but nothing has materialised. It turns up to be very very expensive for us.

So as promised by you several times please clear the outstanding payment immediately without finding any ways and means to delay the payment.

Our co operation and support are always with you and your Government.

Regards

Sanjiv Mukherjee
Director
Just Solutions FZE

----- Original Message -----
Received: Thu, 26 Mar 2009 12:58:35 PMEAT
From: "Directorate f Immigration and Naturalization" <approvalepnid@gmail.com>
To: "Sanjiv Mukherjee" <sanjose2000@usa.net>, <gafow333@yahoo.com>
Cc: "Chets Mukherjee" <chets@justsolutionsltd.com>
Subject: Remind

As we agree before with our meeting in Somali Embassy in Nairobi with our Consular Edson. Me and you ... to clear all pending Payments and also to meet in Dubai to solve all pending issues. I Am going to Dubai by tomorrow, we will neet on Saturday @ 10.00 am in Dubai General Consulate of Somalia with the ministry ofFinance.

Hope you release all PPTs and don t keep them.

Hope we will meet in Dubai and solve ourproblems for good.

Best regards.

Abdullahi Gafow Mohamud

Date: [illegible]
From: "Sanjiv Mukherjee" [illegible]
To: "Directorate f Immigration and Naturalization" [illegible] <admin@somaliembassy.co.ke> <gafow333@yahoo.com>
Cc: "Jyoti Mukherjee" <jyoti@sti-horizon.com> "Chets Mukherjee" [illegible]
Subject: Re: Minutes of the meeting in Nairobi

Dear Sir

I received the Minutes of the meeting and it is not in order. you haven't mentioned the following points

1. Mr. Gafouw as well as Mr. Edson agreed that TFG government failed to fulfill their promises about payment as per our agreement with them

2. Mr. Gafouw instructed that JSL should not supply passports without his authority even the instructions comes from the President, Prime Minister or Finance Minister. To which Mr Mukherjee requested that the same should be given in writing

3. When Mr. Mukherjee pointed out about the false promises by Mr. Gafouw about payment, he apologised and said that he will see that JSL gets the payment in time without any delay

4. When the matter of going to Dubai to settle the payment, Mr. Mukherjee clearly mentioned that whatever they want to discusss about the payment they can do so in Nairobi and should not waste Government money unneccessary on travelling. Mr. Mukherjee also suggest that the same matter can be discussed by email

5. Few of the above points Mr. Gafouw did not liked it and threatened to cancel the contract with JSL if they don't go as per his wishes. Mr. Mukherjee clearly pointed out that JSL has fulfilled all their commitments and it is Mr. Gafouw to fulfill his promises

6. Mr. Gafouw said that JSL should not take any instruction or listen to Mr. Abdulkadir Sheikh - Dubai Consulate and he has no authority whatsoever as far as the passport project is concern

So please add the above point in the minutes of the meeting to put the matter in order

Our co-operation and support are always with TFG of Somalia

Regards

Sanjiv Mukherjee
Director
Just Solutions FZC

----- Original Message -----
Received: Fri, 27 Mar 2009 01:28:54 PM EAT
From: "Directorate f Immigration and Naturalization" <approvalepnid@gmail.com>
To: <admin@somaliembassy.co.ke> <gafow333@yahoo.com> "Sanjiv Mukherjee" <sanjose2000@usa.net>
Cc: "Jyoti Mukherjee" <jyoti@sti-horizon.com> "Chets Mukherjee" <chets@justsolutionsltd.com>
Subject: Minutes of the meeting in Nairobi

Please the attached Minutes of the meeting